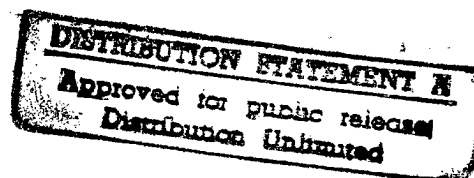


JPRS-EER-91-178  
12 DECEMBER 1991



# ***JPRS Report***



# **East Europe**

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# East Europe

JPRS-EER-91-178

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**Privatization Agency Chief on Law, Tasks**

92BA0116A Sofia DELOVI SVYAT in Bulgarian  
4 Nov 91 pp 1-2

[Interview with Georgi Sharov, director of the Privatization Agency, by Mara Georgieva; place and date not given: "We Can Avoid Mistakes by Learning From Experience, but Doing Nothing Is Irresponsible"]

[Text] Georgi Sharov, 41, is an economist. He has worked for a textile enterprise, a computer center, the Institute for Social Management, the Ministry of Economics and Planning, and the Council of Ministers. Since 1 March 1991, he has acted as interim chairman of the Administrative Council of the Privatization Agency.

[Georgieva] There is still no law on privatization, although the agency has been in existence since last February.

[Sharov] Yes, the agency was created on the basis of Council of Ministers Letter No. 16 of 8 February 1991. It is not the heir of any other organization. It employs economists and jurists with experience as scientific workers and enterprise managers.

[Georgieva] You are being actively courted, and you are on your way to becoming the "hit of the day."

[Sharov] To use your expression, we are being actively courted, both from the outside and partially from inside the country. We meet on a daily basis with foreigners, representatives of state and private financial institutions, international organizations, and European banks and the World Bank.

[Georgieva] Could you sum up the areas in which foreign experts are showing some interest?

[Sharov] Yes, there is a great deal of duplication in their questions, starting with the general political situation in the country, then about our legislation, and finally regarding our specific readiness to organize privatization in our country. They are interested in the role of the individual departments, in interdepartmental coordination, and so forth. All of them express their readiness to actively participate in the privatization process in our country, and a high percentage of them are offering direct financial and expert assistance.

[Georgieva] Why did you say that you were "partially courted" by Bulgarian agencies?

[Sharov] The agency is maintaining very good relations with the parliament while the privatization law is being drafted, as proposed by the Economic Commission. We have the support of the Council of Ministers and, particularly, of the two deputy prime ministers. However, we have definitely had difficulties in dealing with some ministries. To this day, there is no legal act assigning privatization functions to ministries and

departments related to this process. I believe that, in the course of time, this kind of territorial "jealousy" will be surmounted.

[Georgieva] We are still discussing the beginning of the privatization process. What will follow?

[Sharov] Everything depends on the approach that will be adopted concerning privatization, whether it will be on a programmatic basis or develop spontaneously, quickly, at lightning speed, or proceed in accordance with specific possibilities. It may be based primarily on the market or accomplished through the use of other nonmarket or mixed privatization methods.

[Georgieva] Could you forecast any eventual change in the already published draft privatization law?

[Sharov] Everything depends on the targets of privatization. The role of the individual interested countries in this process is of great importance: On the one hand, the government has debts it must repay; then there are our foreign creditors and future investors, who also are pursuing their own interests in the country; third are the managers and the workers in our enterprise, followed by the group of individuals who are not employed but who have worked in the past—the pensioners and the unemployed. In the final account, everyone is interested in privatization because this is the most sensitive and painful aspect of economic life. In other words, in the final account, it is economic and social conditions that will determine the pace of privatization. Spontaneous privatization could start, but the social reaction to it will be felt quite soon afterwards. I have information on the mood of the labor collectives and managers concerning future privatization.

[Georgieva] What is it?

[Sharov] Everyone is expecting to participate in privatization and obtain economic advantages from it. Feelings such as "this is our enterprise, which we have built with our labor" and "this is our property" have not been discarded in the least. Neglect of such moods and attitudes would, in my view, trigger social stress. I am absolutely sure of this.

[Georgieva] What does the experience of the other East European countries indicate?

[Sharov] In Germany, for example, privatization was quick; it was accomplished at lightning speed. However, despite the specific conditions that favored the process (the existence of the corresponding infrastructure, trained specialists, financial organizations, and the availability of capital), in the final account, the social problem intensified, and today the prevalent opinion is that privatization in Germany has not turned out to be as successful as had been hoped. It is not being accepted as a model by the other East European countries. It is significant that Poland, Czechoslovakia, and Romania are leaning toward a privileged attitude toward local

investors. They are offering financial facilities and preferences to the workers and to society as a whole—investment bonds, vouchers, and privileged credit conditions for the acquisition of property. All of these are deliberate steps dictated by economic and social considerations. In my view, we should look at the experience of the others. We have a certain advantage in that we can avoid making their mistakes.

[Georgieva] The so-called minor privatization is already under way. What are the observations of the agency's experts? What information do you have concerning this process?

[Sharov] We are at the beginning. Relatively few projects have been sold—a few hotels and restaurants, two gasoline stations, about 80 stores. All of this combined brought an amount that was not very substantial. There are indications of the need to improve our legal base. First, the so-called title of ownership of the projects being sold has not been determined. The legal problems related to proving ownership of some projects are showing up and, in the future, could appear as particularly major obstacles to privatization. In other words, above all, we must clearly determine ownership. This is one of the basic questions asked by foreigners: What are the guarantees that, after a purchase has been made, a former owner will not show up and dispute the sale? It is also very important to determine the rights of the owners on parcels, on the land on which projects are built. Second is the problem of the evaluation of the projects and the related organization of auctions as the only means of privatization so far used in our country.

[Georgieva] Many people believe that the success of any auction will depend on the initial evaluation....

[Sharov] There is a very close connection between the evaluation, which determines the initial offering price, and the auctioning method itself. If there are no competing candidates, the object may be bought at a price very close to the initially announced one. If there are a sufficiently large number of competing offers, the initial price or the evaluation will be of no particular significance. The offering price is related to the evaluation of the project, but these are not one and the same. The offering price depends greatly on the situation on the capital market—that is, on whether a number of people are willing to purchase what is being offered. The main objective of the auction is to achieve the maximal price. If that is not the main objective, other methods should be used. However, they have still not been legally established.

[Georgieva] What is the Privatization Agency currently doing?

[Sharov] Several months ago, we developed the strategy of our behavior on the basis of the lack of a privatization law. The primary task was to base our suggestions on a minimum of legal prerequisites, which would ensure the proper development of the privatization process even without a law. The other major area was to help develop

skilled specialists in our country, who would evaluate the companies to be privatized. We are studying the experience of other countries—England and the United States, mainly—in the use of systems for the participation of workers in privatization. We are drafting methods and forecasting the most likely development of the privatization process in our country and, on this basis, preparing ourselves for action. To wait idly would be irresponsible.

### Dissolution of Energy Monopoly Discussed

92BA0118A Sofia DELOVI SVYAT in Bulgarian  
4 Nov 91 p 2

[Article by Mariana Docheva: "Energy Demonopolization: We Are So Well We Even Glow"]

[Text] Decentralization and demonopolization will affect even...the possible electric-power schedule. In accordance with the notorious PMS [Council of Ministers decree] No. 54 of this year, the 30 juridical persons within the Committee on Power Engineering system will reorganize into two single joint-stock companies, with government property and a reorganized Committee on Power Engineering with a staff of 90, including a chairman, a deputy chairman, and a secretary. We have already been notified that a joint-stock company has been formed in coal mining and heat generation. But perhaps the largest scale operation from the end of this government will be the formation of a *National Electric Company [NEK]*.

We will be able to compare ourselves, at least in structure, to Electricite de France. The former Maritsa-Iztok TETs [thermoelectric power plant]; the Bobovdol TETs; Atomna Energetika SO [economic trust]; SEK [economic power combine] of Plovdiv, Ruse, and Varna; the power-supply combines in Sofia, Pleven, Gorna Oryakhovitsa, Varna, Stara Zagora, and Plovdiv; the Rila hydroelectric power enterprise; the Atomna Energetika enterprise in Belene; Trafostantsii i Electroprovodnitsi in Sofia; the hydroelectric sites in Sestrimo. At the end, Yazoviri i Kaskadi in Sofia is added. Altogether, 18 juridical persons are decentralized in the NEK single joint-stock company. Congratulations to us.

Its main activity includes the production, transportation, distribution, and sale of electric power.

Three months before the beginning of every fiscal year, the company will negotiate with the government the price we will pay for electric power. The promise is that it will increase at a comparable but lower rate than that of inflation in our country.

Even though the drafted decree for NEK is somewhat different from the Law on Electric Power Supply still in effect, it will not be the first time an amendment act has rescinded a law. A new law to regulate the relationship between NEK and the state must be introduced in the parliament by 30 June 1992.

Mr. Ludzhev has reassured us that, according to calculations, NEK will be able to be self-sufficient and not expect subsidies for capital construction. However, a source of funds to pay for the current expropriated land needed by the Maritsa-Iztok TETs has not been found. But we should know that, only for the next year, with the most minimal expenditures and according to today's prices, 200 million leva for capital construction within the framework of the new NEK structure will be needed.

Seven billion leva in basic production assets are concentrated here, which is 5 percent of the production assets of the country. Commodity production from them is on the order of 10 billion leva per year, according to today's prices. But we must plan well in a market economy, even though the state will remain the single owner in this field. The thermoelectric power plants operate with 31-percent imported coal. What will its price be? Seven percent use natural gas. Will we get it or not? What about crude oil?

In short, in this national campaign, they will sell it to us depending on the price at which they buy it, so there will not be any cheap electric power for us.

NEK will take care of its workers in all respects: wages, housing, pensions.... It will secure some privileges for them, but they will be deprived of the right to strike.

The operation started on 1 November.

#### Financial Aid for Kozloduy NPP Plant

92BA0117A Sofia DELOVI SVYAT in Bulgarian  
4 Nov 91 pp 1-2

[Article by Mariana Dobрева: "The Kozloduy Nuclear Power Plant: We Are Obedient, but We Will Still Have To Live With a Schedule"]

[Text] The Kozloduy NPP [nuclear power plant] provides 35 percent of the electric energy in our country. By stopping the first and second energy blocks, we lose 14 percent of the entire production of this invisible but life-supporting product. These two blocks can become operational in March or April, at the earliest, if their safety systems pass the detailed inspection carried out by experts of all kinds, all of them from abroad. After it is repaired, the third block will help us during the winter months. In short, three of the six energy blocks will be operational: the third, the fourth, and the sixth. The greatly reduced operation was what precipitated our request for electric energy from "outside." This was the advice of practically everyone who "inspected" us.

It is said that, as early as June, Mr. Al. Tomov requested and received an oral promise from Klaus Toepfer, German minister for environment, nature conservation, and reactor safety, that we would be "compensated" for the energy and to discontinue operation of the first and second blocks of the NPP. And now, when they are no longer operational, we have renewed our request. However, no one has said how much this electric power will cost. Over what period and how will payments be made?

No one has said a word about the technical details. What will the electric current pass through? Yugoslavia? Even we send electricity there, and, considering the military hustle and bustle, who is going to risk using its territory? Through Romania? Maybe, but that would be quite difficult. So, when we consider the technical capabilities, it turns out that the maximum quantity of electricity that could reach us would be about 20-30 percent of that produced by our two inactive blocks. Our hopes that, if we are "obedient" and do everything we are asked to do without question, we will get electricity are, to put it mildly, exaggerated.

We are left with the slogan "Every winter on schedule" [for regular electric-power outages].

Let us hope that the ratio is at least three to one [three hours of electricity alternating with one hour of power outage].... As we go on to ask exactly how the promises will be kept, it becomes clear that all of our work is rather fruitless. So then, let us take things in order. For two years now, negotiations have been going on with Germany to have the spare units and machinery of the no longer operational electric power station in Greifswald (in the Eastern territory) be given free of charge to the Kozloduy NPP. Their value was supposed to be approximately 19 million German marks [DM]. After a number of modifications, postponements, and protests by the Greens—Why should this time bomb (Kozloduy) be helped?—we are now talking of spare parts worth about 8 million DM. And we are not going to get them directly from the Germans but rather from the WANO [World Association of Nuclear Operators] center in Paris. To ensure "domestic peace," the Germans will give them to this reputable agent, who will then do with them as he pleases.

When these "gifts" will reach us (or if they will reach us at all), no one knows.

We had great hopes of improving the condition of our NPP after we were granted aid by the EC in the amount of 11 million ECU's [European Currency Units]. The agreements for the four programs to be financed by these funds were to be signed by the middle of October.

What has been done?

- The agreement for the "administrative body" has been signed: five experts, led by the Frenchman Raymon Ptyuti [as transliterated]. (Mr. Georgi Stefanov has been included from our side). For a half-million ECU's, these gentlemen will supervise the NPP.
- The "Housekeeping" program has been organized. In practice, the money has been used since the end of August of this year. It is meant to cover the salaries and the hotel and transportation expenses of 12, so far, Western experts, who have to teach us how to work during repairs so as to avoid problems with the safety of the operational reactors. Technically, this was supposed to be done by "attaching" one of our specialists to each foreigner. Fine, but the experts

refused to work on the third block, and all of our specialists were busy working there until the end of October. Let us hope that the representatives of Electricite de France and of the English, Belgian, and American companies will, nevertheless, manage to "train" us in the time left until February 1992 because their stay in Bulgaria is costing *only 3 million ECU's*. So this "Housekeeping," because we will be paying through the nose for it, should be really good.

- The "Tuing" [as transliterated] ("making friends") agreement has been signed. It will be expressed by the periodic reception of Western experts, whose expenses will amount to 1.5 million ECU's.

We are depositing an additional 1 million ECU's in the West European Consortium; these are the supervisory bodies of Western Europe.

And so, there are only 5 million ECU's left for the fourth program, for research and analysis of the six reactors.

Actually, this is the broad program for the support and safety of our plant. It has now been reduced to a "six-month WANO program." There are 12 subjects for which agreements have not yet been signed, and it is not even known whether the money that remains will be sufficient for everything.

On the other hand, the World Bank experts have written in their report that there is progress in maintaining the order and the physical condition of the plant.

As for the specialists working at Kozloduy, they admitted that their salaries are maybe not exactly 6 thousand [leva per month] but that they will be somewhere near that number so they will not leave their jobs. In other words: Help yourself so that God will help you, too.

### Opinions, Attitudes of Private Businessmen

92BA0119A Sofia DELOVI SVYAT in Bulgarian  
28 Oct, 4 Nov 91

[Fifth and sixth installments of a continuing article detailing a survey conducted by a business sociology group from St. Kliment Okhridski University, headed by Candidate of Financial Sciences Tsvetan Davidkov: "Sociological Research on Private Business"—first paragraph is DELOVI SVYAT introduction; for first four installments, see JPRS-EER-91-170, 18 November 1991, pages 2-5]

[28 Oct p 3]

[Text]

**General Sponsor:** Duga-700 Publishing-Advertising Company

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School Students Cooperative; Koop-Su University Students Cooperative; SS. Cyril and Methodius International Foundation

### Portrait of the Private Businessman

**Sex:** Seventy-nine percent of private businessmen in Bulgaria are men and 21 percent women.

**Age:** The age breakdown is as follows:

Under 30	21.5%
31-35	20.3%
36-40	18.8%
41-45	16.3%
46-50	11.5%
51-60	4.3%
Over 60	2.1%

Bulgarian private business is very young: Three-fifths of company owners are under age 40, and more than three-quarters of all private businessmen are under 45. This result is significant, particularly against the background of the overall aging of the population. This age structure and the fact that most owners of private companies are at their most active age from an economic point of view give grounds for optimism concerning the future of private business in Bulgaria. This is a good indication that it is precisely young people and people in the active age group who have the greatest faith in the possibilities of private business.

There is a clearly indicated trend toward a decline in the relative share of company owners in the older age groups.

On the basis of education, the Bulgarian private businessman appears as follows:

—More than one-half of private businessmen have completed secondary educations; approximately two-fifths have college and university training.

—4.2 percent of the owners of private companies have postgraduate training (specialization, scientific degree, and so forth).

—3.3 percent of those surveyed have primary and basic training.

As for social classification (social group from which they come), the breakdown of initiative-minded Bulgarians is as follows:

As can clearly be seen, the highest share is that of people employed in trade and services. They are followed by white-collar workers and then by workers in industry and construction. The share of representatives of the technical intelligentsia is the same (17 percent). Members of the engineering intelligentsia and high school and university students are significantly fewer (6 percent). The remaining population categories (the artistic-creative

intelligentsia, farmworkers, pensioners, and so forth) are within the 1.9-to-4.4-percent range.

The political portrait of initiative-minded Bulgarians is an amalgamation of the interests of private business and political circumstances. Forty-three percent of the respondents said that they are not interested in politics or that they have still not developed any preferences. Some of them even considered this question inappropriate because it is a known fact that "real" business "has no color," that "money has no smell," and so forth. Some 34 percent support the Union of Democratic Forces (SDS) or parties and organizations within the SDS. (The survey was conducted when the SDS constituted a single group, before its division.) The Bulgarian Business Bloc and the Bulgarian Business Party were given as preferences by 5.5 percent and 1.8 percent of the respondents, respectively.

**Classification of Private Businessmen  
According to Social Affiliation  
(in percent)**

Personnel in trade and services	24
Employees	20
Workers in industry and construction	17
Engineering-technical intelligentsia	6
High school and university students	6

[4 Nov p 3]

[Text]

**The Private Businessman Sees Himself as Honest and Correct in His Behavior, as Well as...**

**How Qualified for Business Is the Bulgarian Person?**

We suggested to the respondents that they rate themselves on the basis of 12 criteria expressing the basic qualities needed in business. The three-step self-rating scale offers the following choices: "I have such and such a quality"; "I do not have it"; "I am unable to rate it."

More than nine-tenths of private businessmen claim that they are honest and proper. Ninety percent of them believe that they are able to get along with people.

The 77-to-82-percent range includes four other important qualities. Highest in that group is a sense of humor, although, from this author's observation, that is not a widespread virtue among Bulgarian businessmen. It is followed by good health; four-fifths of the respondents feel that they are in good health. The same number of businessmen claim that they are very familiar with their own types of production. The quality initiative was claimed by 77 percent of the respondents.

Only one quality is included in the 60-to-70-percent range: 66 percent of enterprising Bulgarians believe that they instill confidence.

Aggressiveness (57 percent have listed it as their virtue) and good connections (characteristic of 51 percent of the respondents) are at the "bottom" of the scale, which stops at the 50-percent mark.

These data indicate a good business self-confidence of initiative-minded Bulgarians. The self-rating of nine-tenths of all businessmen who consider themselves honest and reliable is a manifestation, above all, of the high realization of the fact that, without such qualities, a person cannot be admitted to the business community. However, this survey (as well as many others that preceded it) confirms that there is a "double-bookkeeping" awareness in the Bulgarian people (specifically the businessmen). They are guided in their activities by principles that differ from those officially proclaimed. This means, in concrete terms, that a great many less than nine-tenths of private businessmen are indeed honest and reliable in their business dealings. However, when it becomes a question of stating principles, honesty and reliability are necessarily present. To one extent or another, this duality is also manifested in regard to other qualities.

Unquestionably, the high self-rating of the business qualities of individuals is a major prerequisite for successful business. However, if this self-rating is inconsistent with reality, it could turn into a hindrance because there will be a disparity between self-perception and the way others perceive us. This makes communicating difficult.

From the viewpoint of the possibilities and the training of Bulgarians to engage in business, we should note the self-rating of the private businessman concerning his own shortcomings and gaps in his training:

- The initiative-minded Bulgarians believe that their greatest shortcoming is ignorance of foreign languages. (This group includes 51.6 percent of the respondents.) This fact greatly hinders business contacts and possibilities for exchange, cooperation, selling in foreign markets, and so forth.
- Twenty-seven percent of beginning Bulgarian businessmen have no management training.
- Twenty-seven percent state that they lack good connections.
- Nineteen percent realize that they lack the quality of "broad thinking and theoretical training."
- Approximately one-tenth believe that they lack aggressiveness and good health.

The category "unable to judge" also provides valuable information. It turns out that two-fifths of the candidate businessmen do not know whether they are people with a broad way of thinking and theoretical training. One-third of them do not know whether they instill confidence. The same number (one-third) are unable to

determine whether they are aggressive. About one-fifth of the respondents do not know what their managerial training and sense of enterprise is or the extent to which they are people with good connections. About one-sixth lack a clear idea about their detailed knowledge of their own type of production or the extent to which they have a developed sense of humor. One-tenth are not clear about their own health. One of the conclusions here is that the business qualities we have indicated are not considered important or absolutely necessary for successful business, for which reason a significant percentage of initiative-minded Bulgarians have not developed a clear idea about them. Another conclusion is that there is an actual need for specialists and for suitable methods of objectively evaluating said qualities. This would help the businessmen who pay attention to filling the gaps in their training and engage in purposeful self-education.

**Private Businessmen's Self-Rating of Their Qualities  
(in percent)**

Honesty and reliability	92
Ability to communicate with people	90
Sense of humor	82
Good health	80
Detailed knowledge of their own production activity	80
Sense of initiative	77
Ability to inspire confidence	66
Aggressiveness	57
Good connections	51
Mastery of foreign languages	40
Broad way of thinking and theoretical training	40
Managerial training	34

(To be continued)



### Provocation Suspected in Klimova Interview

92CH0158A Bratislava NARODNA OBRODA in Slovak  
2 Nov 91 pp 1, 4

[Article by Karol Fajth, Slovak Ministry of Foreign Relations spokesman: "Coincidence or Timed Provocation?"]

[Text] The public is again disturbed by certain views expressed in the press. This time, most regrettably, the cause of aroused passions is Rita Klimova, CSFR ambassador to the United States. It is characteristic that in her interview with SVET V OBRAZECH there were again many inaccuracies and subjective interpretations.

We have been carefully monitoring the reactions to this incident since 20 October, and tried to assess the situation with objectivity to both sides. At the request of the magazine ZMENA, Pavol Demes, Slovak Minister for Foreign Relations, commented on Ambassador Klimova's statements, even before his departure for the United States. It appears that the public had missed several important facts.

In the first place, SVET V OBRAZECH presents the conversation as an interview for the American magazine WORKING WOMAN, published with the author's permission. It further informs readers that the interview was conducted in English, and that in it Klimova explains to the average American reader issues and facts which are common knowledge to us.

If this refers to expressions of inherent localized anti-Semitism in Slovakia and anti-Jewish demonstrations which, according to Mrs. Klimova, are taking place here, then we find it startling that, in her defense, the highest representative of this country attributes the problem to inaccurate translation from English into Czech.

In reality, however, we are obviously dealing with a provocation timed not only to the situation at home, but also related to CSFR foreign activities, i.e., the visit to the United States of the head of state. We contacted the above-mentioned American magazine WORKING WOMAN and asked when the conversation was published and what is the connection of the author, Jan Halaska, with the magazine. Following is the reply, translated from English:

"Based on our conversation of this morning, I have checked and rechecked your query with the editorial staff. Jan Halaska has never written anything for the magazine. We have never had any agreement with him, nor any conversations about articles for us. It is possible that the article was submitted for consideration, but it was never published. It is company policy not to assume responsibility for unsolicited manuscripts. If such are received with a stamped self-addressed envelope, they are returned to the sender."

In closing her letter, Mrs. Sherry-Down Brown expressed her curiosity on "how it all turns out." The answer on who must bear responsibility for statements denigrating

the Slovaks and Slovakia at such an important diplomatic post abroad, must be provided by the affected authority, the Federal Ministry of Foreign Affairs in Prague.

### Slovak Politician on Visit to United States

92CH0158B Bratislava NOVE SLOVO in Slovak  
7 Nov 91 pp 6-7

[Interview with Milan Ftacnik, of the Slovak National Council, by Emil Polak; place and date not given: "Understanding Others and Helping Them Understand Us"—first paragraph is NOVE SLOVO introduction]

[Excerpts] Dr. Milan Ftacnik, member of the presidium of the Slovak National Council [SNR], deputy from the Democratic Left Party, recently returned from a more than two-month stay in the United States. The visit, aimed at learning about democracy in various countries, was organized by the New York chapter of Charter 77 and the CDS [expansion not given] organization. It was funded by USIA (U.S. Government) within the framework of aid to East Europe.

[Polak] First of all, who participated in this study trip and how were you selected?

[Ftacnik] The group included five SNR deputies and six members of the Czech National Council (one Slovak deputy cancelled at the last moment). The Slovaks, including me, were selected by the SNR chairman, Miklosko, and accepted by the sponsors. Five major parliamentary parties were represented. [passage omitted]

[Polak] Do average Americans know anything about Slovakia?

[Ftacnik] Not really. They know that there was a revolution in Czechoslovakia, but understand it as an entity, as they did the Soviet Union, and were surprised when other republics, such as Kazakhstan or Georgia, emerged. Without any ill intentions, they abbreviate us as "Czechs," without realizing that this is a sin against the Slovaks. The Slovak parliament is presented as a regional body which could, nevertheless, proclaim Slovak sovereignty. Its orientation reflects the views of President Havel in his dramatic address to the SNR. The average newspaper reports on us only in such dramatic moments, otherwise it is inward-looking and shows little interest. Business reporting occasionally includes mention of our economic situation. Some attention was generated by CNN reporting on environmental problems in northern Bohemia, and the more serious media noticed the recent law on checking public officials' ties to the former regime. Commentary on President Havel's visit was considerably more subdued than at the time of his first visit last year.

[Polak] How do Americans react to the fact that their guest belongs to the political left—the new left in East Europe?

[Ftacnik] Americans pay scant attention to party affiliation. This stems from their two-party system in which personalities are elected by the majority, with support of one or the other party. Decisive in this respect are ability and ideas. The Americans know next to nothing about the new left in Europe.

[Polak] Did you appear publicly and, if so, what were people interested in?

[Ftacnik] I met with countrymen in New Jersey and almost all of us from Slovakia defended our hopes for the state juridical arrangement. We also spoke of changes in our party orientation and our approach to the state, which met with understanding. In conversations with Americans we found approval for the federation and attempts to adjust relations more equitably. There were also discussions in the economic sphere. Americans are always very interested in knowing what we think of them.

[Polak] What would you import from the American way of life, and what should be avoided?

[Ftacnik] American life is based on hard work and a desire for success, on consumption and distribution, efforts to create equal opportunity (e.g., in education), individual freedom (right to success but also to death without interference). We would certainly welcome the technology taken for granted in America, and we like the respected position of the customer. On the other hand, when you see violence, hear about drugs in schools, people with no health insurance, you realize that even a highly developed country like America has not been able to resolve all problems.

[Polak] Finally, with or without a smile, people ask whether the stay in America has estranged Milan Ftacnik from his Democratic Left Party?

[Ftacnik] I, of course, remain a party member, enriched today by priceless new experience. I have realized that as the contemporary world tends toward integration, it is vital to view our country and problems through the eyes of the world, so that we can understand it, while hoping to be understood in return; to seek broad education with inspiration, and apply it to our experience which can be quite exceptional. Only in this manner can we reach the goals we have set for ourselves.

#### **KDH's Klepac on Slovak Foreign Relations**

92CH0149A Bratislava SLOVENSKY DENNIK  
in Slovak 13 Nov 91 p 5

[Commentary by Jan Klepac, KDH (Christian Democratic Movement) Federal Assembly deputy: "Slovakia's Position From the Standpoint of Foreign Policy Relationships"]

[Text] From the standpoint of international law, the Czech and Slovak Federal Republic is a unitary state and acts as a single entity of international law. The actions of the republics in the area of foreign policy are delimited

by Article 7, Paragraph 2 of the CSFR [Czech and Slovak Federal Republic] Constitution, as modified by the so-called competence law in December 1990. In it, both republics are, in keeping with the CSFR foreign policy, authorized to make agreements with components of federal and federative states on cooperation in the fields of trade, economic, cultural, scientific, educational, health, and sports matters, as well as in matters concerning the press, radio, and television.

At discussions between representatives of the CNR [Czech National Council] and the SNR [Slovak National Council] at Stirin on 22 and 23 October 1991, there was a preliminary agreement to remove the words "with components of federal and federative states" from the citation of that article, which would gradually create the prerequisites for Slovakia's relations with entire countries as well.

SNR law No. 347/1990 established the Ministry of International Relations of the Slovak Republic on 28 August 1991. Currently in Bratislava there are 10 consulates general and one honorary consulate open as the foreign representation of 11 countries. On the basis of its own initiative, in December 1990 Slovakia joined the association of European regions. Proof of the more significant involvement of Slovakia in the federal foreign policy is the fact that in Slovakia in the last 18 months there have been visits by many heads of state and important persons in international circles. Thanks also to the representatives of our movement, these visits have not excluded Bratislava. The current status of representation of Slovaks in the CSFR diplomatic service is not in accordance with the principle of parity or Slovak interests abroad. The input of foreign capital into the CSFR could be characterized as of September 1991 by the founding of about 3,400 enterprises with foreign property holdings, of which not quite 23 percent were in Slovakia. The overall amount of capital invested into joint enterprises in the CSFR as a whole reached some 24 billion korunas [Kcs], of which only Kcs3.5 billion went to Slovakia. Foreign capital amounted to Kcs10.3 billion, of which Kcs2.0 billion went to Slovakia.

#### **A Proposal for a Foreign Policy Strategy**

The goals of the KDH [Christian Democratic Movement] in the area of foreign policy are being formulated in accordance with the program goals outlined at the founding congress and in accordance with the election platform and the resolutions of the assembly and the KDH Council. In them, the KDH commits itself to supporting cooperation with all countries of the world on a basis of equality and mutual tolerance, maintenance of the principle of territorial integrity of the states, and a peaceful solution to conflicts by political means. The KDH made its entry into the Federal Government in June 1990 conditional on the approval of a clause that the Federal Government would strive to return our state to Europe. In connection with this, it has been decided to make sure that the Czechs and Slovaks can deal with the

community of European nations as unique and equal entities. Foreign policy is a reflection of a state's domestic policy. According to the KDH concept of the new constitution prepared for the republics and the joint state, as well as that of the state agreement between the CR [Czech Republic] and the SR [Slovak Republic], the legal starting point for including Slovakia in the European integration grouping must be that it is an independent entity. Currently the CSFR is a unitary state from the standpoint of international law. However, the CSFR is a composite state. From the standpoint of international law, as well as that of the CSFR constitution, there are no formal legal obstacles to the transformation of the CSFR into a composite state under international law. Being an entity under international law is one of the attributes of sovereignty and self-rule. It is the bearer of the nation and the state. Czech and Slovak statehood were established from a constitutional standpoint by constitutional law Nr. 143/68. The status of both republics as an entity under international law derives from this. In the creation of the federation, however, both entrusted this status to the higher state entity.

A return to Europe is generally understood to be an entering into the maximum number of institutions and contractual relationships. The CSFR is currently bound by about 2,000 bilateral and 800 multilateral international agreements. These contracts form a spiderweb around the joint state from which Slovakia will not be able to get free in the future without its own international identity. Therefore, the mutual relations of both partners, the CR and the SR, should be modified so that they look the same as relations will look in an integrated Europe. Such a process would, however, demand a realistic approach to the new situation in Central and East Europe by the Czech partner. So far, however, the Czechs reject such an approach and maintain the exclusive and sole international legal identity of the CSFR. I therefore recommend to the KDH assembly that it consider the possibility of proposing to the Czech side a freer union of states such as a federation, as our chairman also did in his speech.

The foreign policy should further serve mainly the economy under the conditions in Slovakia, along with its modernization, structural transformation, and further development. The foreign policy must also serve to apply and increase the international influence of our own country. In our case, we must tell the world the truth about Slovakia and the Slovaks, present them as a cultured and mature people with a rich history. To assist in this, Slovak cultural centers should be set up throughout the world, Slovak Houses established, and there should be active care of and cooperation with Slovaks living abroad.

It is further necessary that Slovakia and its capital become the seat of important international organizations and the location of important international enterprises. It is necessary that there be consulates or, perhaps, embassies established in Bratislava by all the key countries of the world and likewise that Slovakia set up its

own representation abroad. We are currently undertaking specific international political steps at institutionalizing a "Central European Parliament" in Bratislava as an initiative of the SNR [Slovak National Council] and tying Slovakia into the so-called four engines for Europe as part of the association of European regions.

#### **The KDH's Specific Political Resources in Putting Foreign Policy Into Effect**

As long as Slovakia is not an entity under international law, it can carry out only a limited foreign policy. Only the KDH can afford Slovakia a greater input into policies between countries through lines of contact with Christian Democratic, conservative, and people's parties which are part of the important or key powers in most West European countries.

For this purpose, the KDH will develop bilateral relationships especially with the CDU/CSU [Christian Democratic Union/Christian Social Union] in Germany, the CDA [Christian Democratic Appeal] in the Netherlands, the CVP [Christian People's Party] in Belgium, the DCI [Christian Democratic Party] in Italy, the OeVP [Austrian People's Party] in Austria, the Conservative Party in Great Britain, the Christian Democratic Smallholders Party of the Ukraine, and Christian parties in Poland. The KDH has close cooperative relations with the CSL [Czechoslovak People's Party] and the KDS [Christian Democratic Party] in the Czech Republic which should currently serve as a bridge of understanding between the two republics.

The KDH will utilize its position as a recognized managing member of European and world organizations such as:

- In the European Union of Christian Democrats (EUCD) headquartered in Brussels.
- In the Christian Democratic Internationale (CDI) also in Brussels.
- In the Christian Democratic Union of Central Europe (CDUCE) bringing together the Christian inspired parties and movements of Central and East Europe.
- In the European Democratic Union (EDU) where the KDH will take part in the political activities of the individual committees of the EDV [European Democratic Committees]. Foreign policy is a reflection of domestic policy. In foreign policy Slovakia will be able to carry out those activities which are delineated and agreed to in the discussions on the state legal composition. Without achieving an identity under international law, however, the opportunities for maneuvering by Slovakia will shrink to the dimensions of the region.

We therefore propose to the KDH assembly that it approve the resolution of the KDH Council of 22 September 1991 which tasks the top leadership and deputies

of the KDH with inserting into the text of the constitutional documents such wording as will create the prerequisites for international recognition of the SR as a sovereign state and a future entry by the SR into the European Community as an independent entity.

### Czech Journalist Doubts Survival of State

92CH0151C Prague *LIDOVE NOVINY* in Czech  
13 Nov 91 p 1

[Article by Jan Dobrovsky: "Limits of Patience"]

[Text] The state is falling apart. Judging by how much of what is Czechoslovak is left to it one might even say that it already has fallen apart. In the interest of preserving it, the federation lost one power after another and with them the prospect of controlling any federal program. Whether directly, as in the case of powersharing legislation, or indirectly through tactical maneuvering of the republics, the federal representation has arrived at a fateful boundary: It was found that it has no say in the matter.

Instead of a reasonable accord on the forms of shared life we see negotiations on common interests. Those who see common interests now merely shrug their shoulders. Everything can be subjected to doubt: foreign policy equally as the currency, taxes and customs equally as the army, the constitution, the parliament, even history. From this there is only a small step to hysteria when in the interest of one nation, doubt is cast on another nation.

Everything was here before. One cannot claim a historically new situation forever. Only the brave can be addressed by a magic invocation of love and truth. The Czech representation has tried it, seeking to achieve accord by going half the distance, by understanding and compromise. Instead it found itself making concessions, displayed weakness, and earned for it the distrust of citizens. Similarly also the president, whose efforts at an understanding can be ignored only by eyes clouded by passion, has become the symbol of evil to the temporary extremists: "Havel—the Jewish king," fascists are shouting in the streets of Bratislava. Here the end justifies the means not only for them but for all others who tag along.

There is no point searching for the errors which have led to this. It will be a job for historians and their political analyses. The practical politicians should find the fortitude to take a courageous step: Tell the people, despite all the unclarities and embarrassments, what the idea is of what is next. It is that the citizen senses rather well that negotiations on a common state have already for some time turned into negotiations on its division. If someone wants independence, there is little that can be done about it. But if he takes a radical step toward it, it has to be named as such. Pretending, as was the custom until now, that nothing really has happened, even when

a laudable effort not to throw in the towel, might backfire badly. It is a fact that even the reasonableness of the patient has its limits.

### Eastern Orientation of Slovak Politicians Claimed

92CH0151B Prague *CESKY DENIK* in Czech  
18 Oct 91 p 3

[Article by Jan Vavra: "Like White Lambs?"]

[Text] When a politician says publicly what he really thinks, the effect is always refreshing. Therefore the clear language spoken by the two highest Slovak representatives during recent days should be a favor to federal and Czech politicians. The more so because especially in recent time the gap between verbal proclamations and deeds on the part of the larger number of Slovak representatives has been widening alarmingly. While talking of a common state, their actions testify clearly to preparations for an independent state. The contrast between acts and words even creates the impression that for some reason they are afraid (or ashamed) to admit openly what they really want.

It was particularly the Slovak prime minister's presentation which confirmed what already some time ago was noted by Petr Pavlovsky on the pages of *OBCANSKY DENIK*. It is the tendency of Slovak politicians to orient themselves much more toward the East. This tendency emanates from two groups of politicians inspired by wholly opposite motivations but sharing a common goal.

The first is a group of Catholic intellectuals who formed the largest part of Slovak dissent and which includes Jan Carnogursky and Frantisek Miklosko. As Petr Pithart said about a month ago, these people regard the Slovaks as an uncorrupted nation which ought to be protected against the superficial, consumerist, immoral, and in its essence corrupted West to which the Czechs already belong in their opinion. Their idea is to be Europe's Catholic bridge to the Russian orthodoxy. Their orientation toward the East is intellectual. They draw on the traditions of Rasputin and Solzhenitzyn and see Slovakia as a Catholic, naturally rather agricultural, state.

This group made the unfortunate discovery that presently it has the very same interests in common with the group around Vladimir Meciar. The "Eastern orientation" of the former prime minister is wholly nonspiritual. At present Vladimir Meciar defends the interests of the Slovak military-industrial circles whose enterprises depend—both for raw material shipments and markets—on the Soviet Union. Economists of this group are proposing models of economic management of the kind we can observe in Romania, Bulgaria, and countries of the Soviet Union. That is, a sort of mix of market and command economy.

By the two interest groups coalescing, the Slovak Republic begins to be led quite unequivocally toward a different type of government than the Czech government and the Federal Government are trying to build. Jan

Carnogursky's statement should therefore be taken as a clear signal after which we ought to cease wondering about the conduct of Slovak politicians. Their motives and goals are clear. What remains is to consider our own reaction.

The Czech representation has two options. Either it will try to "rescue" Slovakia and even against its will "help" it enter Europe. This assumes major complications, particularly in regard to powersharing, with a rather poorly functioning federation as the result. The other option is to force the Slovak politicians to say as adults what they really want, and demand responsible conduct of them. This would most likely lead to an early (and let us hope amicable) division of the state.

Thus the choice facing the Czech representation is by no means simple. Nevertheless, it will have to choose.

### Call To Neutralize Rightist Influence

92CH0157A Bratislava NOVE SLOVO in Czech  
7 Nov 91 p 11

["Text" of speech by Ivan Svitak in Karlovy Vary on 23 September 1991: "New Destiny"]

[Text] In a Chinese alchemy recipe there is a reliable prescription for making gold, accompanied by a warning that it only works if the alchemist avoids thinking of a green monkey. The problem is that as soon as one digests this interdiction, it is impossible to heed it, making the prescription useless, even though correct. The taboo thus makes the monkey an obstacle to success.

For the government of our alchemists trying to brew gold by means of coupon books, the green monkey is the disintegration of the state, which gets worse the more we avoid thinking about it. In addition to the green monkey, there is the yellow one, Europeanism, which just informed us that it is in no hurry to associate with us, and we should stop thinking about it. And the yellow-black monkey lets it be known that a few hundred billion of the produced gold actually belongs to it.

Seriously though, what is at stake in this game? It is the destabilization of not merely one state but of all of Central Europe, which is not the result of machinations by some sinister forces, it is rather caused by government incompetence and inability to place itself at the head of national aspirations for a better life, to lead the struggle for a new destiny after the era of bureaucratic dictatorship.

To seek the cause of this destabilization in individual political parties or moral criteria of the CSFR is naive, since the growing official and public nervousness is merely a reflection of global uncertainty which is constantly growing. One factor of the destabilization is the demise of the Yalta Agreement, which offers not only better opportunities for the European home, but also the reality of civil war in Yugoslavia and the balkanizing nationalist explosions in the USSR. No flow of capital investments, nor any monetary solutions can overcome

the dynamism of the social forces currently in play. The more foresighted politicians here recognize that the virus of Balkanization has struck with full force. Not because of aspirations of some Slovak politicians, but rather because the Czech government and the Federal Government cling to the present status quo. The belief that there are only two alternatives, namely federation or disintegration of the state, is as erroneous as is limiting choices in the economic sphere to communism or capitalism. The government does not recognize that it itself is the cause of territorial and economic destabilization, and that it invites conflict by its very efforts to prevent it.

I know of no Czech politician who would honestly tell the Slovaks that there are more than two alternatives for coexistence, and that any alternative satisfying the majority of Slovaks must be acceptable to the Czechs, including confederation. The mine field of the Czech political scene is controlled by the question of state structure. Two nationalisms come into conflict, rather than old and new nomenclatures or democratic factions. The alternative "federation or breakup" is the alternative of Czech nationalism, which makes compromise impossible and, in fact, strengthens Slovak craving for sovereignty. Following the Meciar affair, Czech nationalism threatens repressive measures, instead of accepting the will of the Slovak people—whatever it might be—as a basis for future coexistence. The incumbent government is no longer capable of such a turn, since it remains fascinated by the pseudoproblem of state continuity. In this era which is witnessing the disintegration of a four-centuries-old empire, the government needs less conservative approaches to the past. The legalistic concept of the continuity of the Czechoslovak Republic has always been and remains a legal monstrosity created in exile by Eduard Benes, with the aim of covering up his own Munich capitulation and presenting himself in the role of a president who did not resign, even though he, in fact, had done so.

Returning to the pseudoproblem of continuity and annulment of the Munich Agreement, from its inception, is totally unproductive, since those who evoke the ghosts of Munich, also bring back memories of the postwar expulsion of Sudeten Germans, causing even more destabilization problems. A wise statesman would see these questions as resolvable empiric problems, rather than a matter of juridical correctness.

In poker, if you produce a fifth ace, everyone knows it is phony, since there are only four of them. Klaus is putting his fifth ace on the table in the campaign of coupon privatization. He has no need to convince us that this card, too, is phony, having previously produced four aces, namely, his reform, his version of restitution, his pestering Dubcek and the Slovaks, and the catastrophic dive in our living standard. His fifth ace, the coupon book, does not surprise us. We have always considered him a crooked player. The chaos of parasites which here passes for free enterprise has already devalued our money by about half. Mr. Klaus will achieve even

something the alchemists did not, i.e., turn gold into rubbish, turn a koruna into 50 halers, a two-koruna piece into one, which at best allows us to use the men's room. Behold the magician of free enterprise, who, in addition, wants to turn us into a nation of speculators who will henceforth bet on enterprises, as they used to on the sports lottery. The grand privatization is the staging of a tragicomedy of rags, through which German capital flows in, while it is we who should be entering Europe. It is only when the nation realizes this and votes accordingly, that this pseudodemocracy will come to an end.

The worst of all is, of course, the failure to recognize that a return to the past of the First Republic does not guarantee a better life, but rather disintegration of the state. Falsification of our history, the First Republic, German occupation, Stalinism, as well as the normalization period, performed for the benefit of the preselection campaign of political parties, makes it impossible for us to look forward. Instead, the future now appears merely as a change of nomenclatures and yokes, both economic and military, rather than the freedom we awaited with such enthusiasm. The abyss between the improvement people expected of the market and the impoverishment produced by this same market is as difficult to cross as that between confidence in a disgust with democratic institutions, which is expressed even by our head of state. Yes, it is indeed time for nonpolitical politicians to leave in shame through general elections, rather than an ambiguous referendum designed to maintain the federal bureaucracy in the saddle. THE NEW YORK TIMES published an outstanding analysis by a top American intellectual, titled, "Hard Times for All." Robert Heilbroner exhibits penetrating analysis of the present crisis as a global phenomenon striking at the East and, in a different way, the West. According to the author, there appear phenomena different from classical free-market capitalism, namely, the determining role of government (state) in economic competition. To go forward, therefore, does not mean allowing the economy to develop unchecked, but rather stimulating it via government regulations. Vaclav Klaus, of course, tells us quite the opposite because, instead of a modern future, he is leading us into an embittered past, which is considered laughable in the Western democracies.

The shadow of the past requires a change in our thinking, the more so because the future never guarantees that models of the past remain viable. This is valid not only for the nation but also for our political left, especially at a time when the first heads are already falling (V. Vales, M. Kocab, J. Koran) and dissatisfaction with the regime is widespread, differing only in degree. The question is who will profit from this disillusionment in the specific

conditions of postcommunism. Democracy is not guaranteed by the personalities of politicians, but rather by a fragile combination of not always perfect institutions. Parliamentary deputies are people who believe they understand things, when, in fact, they do not, and make revolution by passing new laws and then allowing the free market—actually change—to ensure a functioning economy. Moreover, our political parties think they exist to criticize voters for being unable to recognize the genius of party institutions. Under these conditions, the left is not interested in adding to the chaos and enhancing the existing anticommunist hysteria. We, however, do have strong interest in neutralizing the influence of the rightists.

### Slovak, Minority Schools in Czech Lands

92CH0149B Bratislava PRAVDA in Slovak  
14 Nov 91 p 16

[Article by (pj): "Slovak Schools in Czech Lands"]

[Text] We have received a number of queries on our editorial line about national minorities' schools in the Czech Republic. Readers were interested mainly in the number of schools where classes were taught in the Slovak language and other opportunities for learning the languages of the national minorities. We asked for information from an employee of the Ministry of Education, Youth, and Physical Education of the Czech Republic, Msgr. Jan Burian.

In the Czech lands there actually exists only one fully organized elementary school which teaches in the Slovak language and that is in Karvina. However, this month elective teaching of Slovak language and literature was begun in Prague. Since only about 35 children were signed up in the whole city, however, it is being taught at only two elementary schools, in Prague 5 and Prague 10 districts, in cooperation with the House of Slovak Culture.

In addition, there are schools in the CR [Czech Republic] where instruction is in the Polish and German languages. There are 17 Polish elementary schools in Frydek-Mistek okres and 12 in Karvina okres. There is a Polish high school in Cesky Tesin, and in another four vocational middle schools there is one class in each year group taught in the Polish language. As far as German schools are concerned, these are combined elementary schools where Czech and German are the languages of instruction. There is one of these in Cesky Krumlov and a private elementary school and a private high school in Prague. However, there are preparations being made to open other such schools.

In Prague and Brno there are also two groups formed to learn the Hungarian language.

### MDF Faction Leader Surveys Political Scene

92CH0115A Budapest MAGYAR HIRLAP  
in Hungarian 28 Oct 91 pp 1, 3

[Report by Zoltan Otvos on speech given by Imre Konya, parliamentary faction leader of the Hungarian Democratic Forum, in Csongrad on 26 October: "The Hungarian Democratic Forum Does Not Try To Avoid Conflicts, but Makes Them Harsher"]

[Text] "It is my hope that on 4 November the National Assembly will ratify the proposed law, according to which those who have blood on their hands can be indicted and convicted. However, this does not mean that I am calling for a campaign of revenge or a massacre." This was how Imre Konya, leader of the Hungarian Democratic Forum's [MDF] parliamentary faction, started his speech at the Saturday evening forum in the Csongrad town gallery. As the deputy stated, the Hungarian people still wish to accomplish their constitutional revolution through legal means, but they insist that culpable individuals be named. This can be accomplished only within lawful guidelines, which places a priori obstacles in the way of serving justice.

In his comments related to 23 October, he stated: "We must also rehabilitate the individuals who suffered in the neighboring countries on account of their sympathies with the October events in Hungary." Then he continued: "No one denies the greatness and sacrifice of Imre Nagy and his associates; however, their lives until October 1956 contradict their role in the revolution, and this underscores the power of popular and national revolution, its ability to change a steadfast Communist, such as Imre Nagy, into a conscious martyr of the nation.

"This was possible because throughout his life he talked and was lectured about the people; when he suddenly came face to face with the people, he could not resist its influence. This does not mean, however, that they [Imre Nagy and his associates] made the revolution. Their role in it is undeniable, but it was decidedly a secondary role," said Imre Konya.

Subsequently he stated that, in contrast with neighboring countries, Hungary is building a stable democratic society without sharp social conflicts, and that transformation is most complete in this country. He emphasized that the country's leaders are guided exclusively by the interests of 15 million Hungarians. He then asserted that, instead of its earlier practice of avoiding conflict and seeking compromises at all costs, in the coming stage of systemic transformation the MDF will be characterized by more decisive politicking and a firmer, more decisive use of its mandate furnished by its majority status in the legislative body. This was voiced at every county meeting, said Konya, calling it nothing more than a coincidence that this idea was first phrased so decisively in his essay. He also added that the press, contrary to its intentions, performed a great service by publicizing that writing.

"There are many negative things that can be said about us; however, these probably could not include claims that we are violent or that we strive to achieve a one-party dictatorship," he asserted. Their [the MDF's] attempt to transform radio and television is also driven by their commitment to objective dissemination of information, and not "in order to have tulips [the MDF symbol] constantly appear on the screen.... The problem with radio and television is not that they oppose the MDF, but that they are not telling the truth," said Imre Konya, then he made a few noteworthy observations about the opposition. According to his claims, the opposition will be constructive when it discovers firmness exhibited by the governing parties. This is demonstrated by the downfall of Janos Kis, too (which is a cause of great personal pleasure for the MDF faction leader); after all, the leader of the strongest opposition party "threw in the towel" when he discovered more decisive politicking on the MDF's part. The substance of the entire SZDSZ [Alliance of Free Democrats] strategy, "envisioned at his desk by Janos Kis in his Gellert Hill bunker," was to attempt to disrupt the MDF from the inside. An "excellent opportunity" for this is provided when responsible statesmen are prevented from performing the tasks which most party members expect them to perform; such as creating a consistent and constitutionally based process of serving justice. The MDF's policy of avoiding conflicts led to increasing tension between the leaders and the membership, but more decisive politicking dispelled the SZDSZ's illusions about achieving political authority, which, in the view of Imre Konya, was a daydream anyway. He then added: "Aside from me, I doubt if Janos Kis has ever met an MDF member." According to the leader of the MDF faction, Janos Kis concentrated his politicking on this issue so much that he did not notice the breakup of his own party. As of now, the only course of action the opposition can follow is one of constructive politicking, instead of rigid antagonism. It must be acknowledged that the coalition cannot be disbanded within the next four years, and neither of the opposition parties can form a governing majority.

Under the new circumstances, Imre Konya sees Peter Tolgyessy as suitable [for taking over the SZDSZ leadership]; observing at the same time that in the new situation of selecting a president it would be strange for Tolgyessy to speak of collaborating with the MDF.

The MDF deputy considered it Jozsef Antall's greatest merit that he avoided the creation of a great coalition. At the same time, he regretted the crisis of the opposition: After all, he said, their controlling role is necessary; moreover, "at times they even have some good ideas." On the other hand, he regretted the absence of a markedly left-wing party, because the governing parties are unable to represent the workers' interests as well as a social democratic party could. Because of their past, the Socialist Party is unable to fulfill this function. As for the SZDSZ, it cannot perform this role, because "its members shiver upon contemplating the social democratic trend." As for the FIDESZ, Imre Konya was troubled by



their generational aspect: He proposed that the party drop its upper age limit of 35 years. "Especially bizarre is that they behave in the National Assembly as befits sedate, mature professors. To be sure, they got through law school somehow, but not all of them became professors.... They should forget that they went to law school (it should not be too difficult, because they did not pick up that much), there is no sense in constantly bringing it up," said Imre Konya.

### **SZDSZ Rapprochement With MSZP Urged**

92CH0142A Budapest *MAGYAR HIRLAP*  
in Hungarian 6 Nov 91 p 7

[Commentary by Tamas Fricz: "SZDSZ—MSZP! MSZP—SZDSZ?!"]

[Text] I will confess right at the beginning that I hardly dare pick up pen to evaluate the relations between the free democrats and the socialists, i.e., Ivan Vitanyi's rapprochement initiative. So much the more because anyone taking a stand in this issue—either pro or con—will inevitably be considered a representative of one of the two political lines, making the objectivity of what he has to say questionable right from the beginning.

Although I would like to avoid this at all cost, simply starting with the fact that a political line (group? faction? platform?) exists within the socialist party, which urges a rapprochement with the SZDSZ [Alliance of Free Democrats]; undeniably, the issue has been, and is being, discussed in SZDSZ circles as well. Thus, the question as to how viable this concept is could be approached purely from the aspect of sociology or political science. What are the facts, pro and con?

The plan for closer cooperation unequivocally originated from the MSZP [Hungarian Socialist Party], i.e., from its Vitanyi circle, and this is hardly accidental. The MSZP is still operating in a vacuum in parliament, carrying the stigma of the "successor of the felonious regime." Quite understandably, the party's individual factions are attempting to evaluate the breakout points, i.e., the possibilities of establishing relations that may improve the MSZP's political position. The result of this is the plan of rapprochement between the MSZP and the SZDSZ, the publicly announced reason for which being, of course, something entirely different. Still, we must deal first with the reason given, for it formally justifies the intention of rapprochement.

What arguments are presented in Vitanyi's concept? First and foremost the need for standing up against Christian and national conservatism, for this line, having formed a government, is striving to achieve total concentration and to transform society as a whole in its own image. On the other hand, it stresses that there is hardly any difference between the SZDSZ's and the MSZP's social concepts, for both parties want a middle-class European Hungary, as opposed to the MDF's [Hungarian Democratic Forum's] feudal-type Hungary of Christian democrats and smallholders. In other

words, compared to conservatism, the differences between the SZDSZ and the MSZP are much less significant, and this makes it possible for both parties to put aside their grudges against and antagonisms toward each other and to try, on the basis of their "world concepts," to offer an alternative to the social concept represented by the government coalition.

No word is said in this connection about FIDESZ [Federation of Young Democrats] although, of course, the young democrats also subscribe to this social concept.

This is, then, the real dividing line between parliament's parties and, in comparison, it is a conflict of secondary importance that the SZDSZ can be considered a party of employers and employees within the market economy while the MSZP is decidedly a party of employees and workers. As long as the government's efforts to create a feudal-type Hungary cannot be adequately counterbalanced, the conflict of interests of the employee vs. the employer within the market economy will also remain less significant. The order is this, then: first a middle-class Hungary, followed by a stratification based on middle-class society's natural internal conflicts.

But let us take a closer look at arguments pro and con regarding this aspiration.

In trying to provide some answers, the relations between the two parties is not the only thing I am considering; instead, I am looking at the political party system as a whole, placing within it the role of the two parties.

Rapprochement between the MSZP and SZDSZ is supported by the arguments that:

1. The government coalition's efforts—and use of its own power—to enforce its own social concept in all spheres of society is indeed apparent. One could argue about how feudalistic, how hierarchical the MDF is and how anachronistic a society it wants to create, or about what roles the individual MDF factions play in these efforts. One could also argue about whether the social concepts of the MDF, the Smallholders Party and the KDNP [Christian Democratic People's Party] can be lumped together "without any second thought." But this is not the point; the point is that it does not matter what social concept the MDF represents, but as long as it tries to enforce it with a concentration of power and with administrative means of power, the forces of opposition must indeed take—joint!—action. The purpose is to not allow the "crystallization" of one kind of social concept and one kind of power in order to maintain the possibility of change in political management.

2. The SZDSZ tied not only its own hands but the hands of all the other opposition parties rather tightly through the Antall-Tolgyesi pact, condemning the opposition parties to almost complete passivity. And, in this situation, the opposition will have better opportunities to work out alternatives only if efforts are made not by three parties that also oppose each other but rather if



occasionally—in concrete terms, when the mutual interests of democracy so demand—coordinated steps are taken by these parties.

3. Rapprochement between the SZDSZ and the MSZP would also lead to the “benefit” that the moral determinants of the relationship between the two parties would become less strict, giving way to a more pragmatic attitude in party relations. The leadership of both the MSZP and the SZDSZ is mainly made up of persons who were each other’s sworn enemies during the party state period. Of course, this is important mainly from the SZDSZ’s standpoint: One cannot continue forever looking at the MSZP as the state party’s successor whose place in parliament is in the “corner.” The SZDSZ’s democratic core of opposition must finally go beyond sarcastic condescendence toward the MSZP, for it must accept the reality that it is one of the opposition parties in this parliament. In the long term, it is impossible to ignore a party with 33 mandates.

On the other hand, some arguments against rapprochement between the MSZP and SZDSZ are as follows:

1. In essence, even the MSZP’s leading circles—not to mention the SZDSZ—are also divided on the method of maintaining relations with the SZDSZ.

The MSZP still has those powerful political factions that think that the SZDSZ is an excessively right-wing party and that still consider opposing it more important than a joint opposition against the MDF. Thus, as long as conservative, left-wing forces are present in the MSZP, one must have reservations to begin with even when mentioning only the mere intention of rapprochement.

2. No matter how we quibble, in the final analysis the social concepts are completely different not only between the MDF, the SZDSZ, and the MSZP, but also between the latter two, if to a lesser extent. The MSZP’s social concept is tied in many respects to the party state period, to some of its imagined or real values, and to some types of its institutions. Certain collective-socialist institutions are closely tied to the MSZP’s social concept, resulting in a partial preservation of certain forms of organizations and structures of the past regime; e.g., protecting state farms and cooperatives, supporting the old trade unions, or preferring forms of worker leadership. This social concept, which is tied to party state structures but which is unquestionably becoming more middle-class and liberal, is indeed different from that of the SZDSZ, i.e., similarities are not the only dominating elements. The SZDSZ is a party with an unequivocally individualistic attitude, whereas the MSZP is a collective-minded party in many respects, and this draws a definite dividing line between the two. Thus, in looking at the similarities between the two parties, the differences must not be ignored either.

3. In the final analysis, it is questionable whether the parliamentary multiparty system benefits from an increasingly radical division of the parties into two camps. One could say to this that parliaments consisting

of two parties (or, as the case may be, of two coalition parties) are working quite well in Britain and America and, thus, we can also adopt this system. But the result of this would not only be that political management would merely be alternated between two parties but also that two radically different social concepts, i.e., the two “Hungarys,” would oppose each other even more radically, and polarization would become even more extreme. One of the main reasons for the instability of our party system is that different views and world concepts clash with each other to begin with; a radical division into two camps would only widen this gap. I am not sure whether this antithesis should be “encouraged,” for that would create a painful separation of “modern Hungary” and “obsolete Hungary.” Division into two camps could lead to increased antagonism and to increased efforts on the part of both sides—including that of the liberals as well!—to achieve exclusivity.

For yet another alternative for a division into two camps exists, namely, if, for instance, the SZDSZ circles would try to find common denominators not only with opposition parties but also with some willing circles of the government coalition that have an interest in creating a European Hungary. This could also be true of the MSZP. A rapprochement of “progressive forces” between the opposition and the government coalition could ease the parliamentary party system’s fragmentation and could avoid the unwanted consequences of division into two camps (all too familiar in our history). The question is, of course, how much weight the political lines within the government coalition carry which strive for liberal cooperation.

I will stop here because everyday politics will no doubt tear this discussion apart in no time. My intention is neither to take a political stand with regard to the rapprochement nor to “determine” the feasibility of the rapprochement.

Actually, the reason why I present pro and con arguments in connection with the SZDSZ-MSZP cooperation is to see to what extent this cooperation would aid or hinder—and this is the primary consideration for me—the efficient and successful functioning of the parliamentary multiparty system, enriched by conflicts.

### Storm Around Torgyan; Smallholders May Split

#### MDF Official’s View

92CH0143A Budapest MAGYAR HIRLAP  
in Hungarian 5 Nov 91 p 4

[Article by K.U.: “Balazs Horvath: The Smallholders Board Is Not the Same as the Smallholders Party”]

[Text] Regarding most recent developments in the FKgP [Smallholders Party], MDF [Hungarian Democratic Forum] Vice Chairman Balazs Horvath stressed that the MDF accepts the FKgP’s spirit and political philosophy. The MDF is capable of cooperating with the FKgP as long as they act consistent with this line of thought. For

this reason the MDF does not attribute any particular significance to Torgyan's vocal manifestations. This is even more so because in the last two rounds of coalition talks Torgyan has manifested self-restraint. At the same time he [Horvath] added that in the course of government operations the MDF relies on the various parliamentary factions of the individual parties. Accordingly, inasmuch as the [Smallholders] party board of directors and the faction followed separate paths, the MDF's relations would not be severed with either the party or its group of representatives. Existing, truly serious conflicts between the board and the faction do not mean a rift in the party, Balazs Horvath stressed, FKgP interests continue to be represented by a majority of the faction. As a result of this situation they encourage their local organizations to cooperate with smallholders at the local level as much as circumstances permit.

The events that had taken place do not threaten the future of the coalition, he [Horvath] added. These events do not, by any means, hinder cooperation between either the parties, or the factions. Neither the FKgP nor its [parliamentary] faction must be identified with its board of directors. Nevertheless, Horvath felt bitter about the events because it is difficult to reconcile those with political methods one should expect to see in a democracy. At the same time, he hoped that the FKgP will be able to purge itself, the vice chairman declared.

### Coalition Not Endangered

92CH0143B Budapest MAGYAR HIRLAP  
in Hungarian 5 Nov 91 p 4

[Article by K.U.: "Rift Within the FKgP Does Not Lead to the Coalition's Disintegration"]

[Text] KDNP [Christian Democratic People's Party] faction leader Tibor Fuzessy prefaced his statement concerning most recent developments involving the FKgP [Smallholders Party] by saying that this was not the beginning of the party's [troubles], disputes between the party board and the faction began after relieving Jozsef Torgyan from his post as faction leader.

From the standpoint of governmental work and cooperation within the coalition, it is by all means the Smallholders group of representatives that plays the important role, Fuzessy stressed. They participate in legislative work, their votes determine whether in a given situation the government remains in the minority or prevails as a majority.

The faction plays a greater role in implementing the party's will than the party's board of directors. In a situation like this, which is unusual not only in Hungary, an initiative resisted by a majority of the faction cannot be implemented. Accordingly, a rift in the FKgP may occur if the faction maintains its view and determination. Such a rift would not necessarily lead to the collapse of the coalition, Fuzessy said.

### Smallholders' Statements

92CH0143C Budapest MAGYAR HIRLAP  
in Hungarian 5 Nov 91 p 4

[Unattributed article: "Smallholders Party War of Statements"]

[Text] Jozsef Torgyan informed his party's membership and the country's populace in a statement as follows:

It is his intention to operate the ruling coalition according to Christian ideals and European standards.

A war of principles is going on between the FKgP [Smallholders Party] membership and leadership on the one hand, and the faction and certain government officials belonging to the party, on the other. Those attacking the FKgP want to do away with the party's independence and with multiparty democracy instead of having a system change and holding people accountable. For this reason, creating order quickly within the party, the faction and governmental factors is unavoidable and necessary, and such action would lead to a cleansing and strengthening of the party, and not to a party rift. The party chairman requests the support of the country's populace in this struggle.

In contrast, the FKgP's Hodmezovasarhely organization was stunned and outraged to learn of Jozsef Torgyan's and his close associates' dictatorial actions—such as the exclusion of members in the absence of disciplinary proceedings, the cooptation of leaders, recalls in the absence of constitutional order and sober considerations, the filing of complaints, etc.—which were repugnant to the party's charter and to the party's historic traditions.

Based on all of the above the Hodmezovasarhely organization distanced itself from Jozsef Torgyan and from all those who agreed with their irresponsible and damaging actions. They called upon all sober-minded Smallholders not to accept and not to participate in the congress initiated by Jozsef Torgyan, a congress which in Hungary is customarily organized only by communist parties.

FKgP Vice Chairman and Faction Secretary Pal Dragon addressed the party membership in an open letter. He termed the stormy events of the past days as "a series of diabolical expulsions" and condemned the party board of directors chaired by Torgyan because it exceeded its authority. In Dragon's view, no one should be expelled from the party without a prior disciplinary proceeding, and on top, the minds behind the unwarranted expulsions abused the confidence of the membership and had sunk the party into anarchy. Although Dragon made efforts to counteract these moves, he was not even invited to the board meetings even though he is the party's vice chairman.

### Parliament Not Affected

92CH0143D Budapest MAGYAR HIRLAP  
in Hungarian 6 Nov 91 p 3

[Article by K.U.: "Smallholders Rift Would Not Cause Disturbance"]

[Text] Recent events surrounding the FKgP [Smallholders Party] unavoidably raise the question of whether the workings of parliament will suffer certain consequences.

Istvan Papp, the head of the National Assembly president's secretariat said that as of this moment the events had no effect, whatsoever. At the same time Papp noted that decisions affecting representatives could only be made by the faction, and thus the party board of directors would not be able to exclude anyone from the group of representatives. Accordingly, the statements made by Party Chairman Jozsef Torgyan carried political weight at most, and had no legal effect.

When asked about the consequences of a rift in the faction the head of the secretariat said that in the event at least 10 (15, according to the new House Rules) representatives declared their intent to sever their ties with the party one would have to count with yet another faction. Fewer representatives could function separately only as independents. New factions must elect a new leadership and new officers. Neither alternative would fundamentally hinder or influence the functioning of the National Assembly, because no legal barriers exist to an increase in the number of independents or to having seven factions.

The leadership in parliament has not yet dealt with all this, because thus far no statement of intent had been received. Quite naturally, the leadership is prepared for any eventuality, Istvan Papp said.

Whether the coalition parties would regard the FKgP faction as their negotiating partner in such a case would have to be decided and agreed upon by the affected parties. Parliament has no authority to interfere in this regard.

### Resignation Demands

92CH0143E Budapest MAGYAR HIRLAP  
in Hungarian 6 Nov 91 p 4

[Article by Edit Osz: "An Increasing Number of People Demand Torgyan's Resignation"]

[Text] The eight representatives who responded to the Smallholders Party chairman's invitation and appeared at party headquarters on Monday evening were given a declaration. Representatives signing the declaration would reaffirm to the leadership and to the members of the board that they would regard the political decisions of the party leadership as binding upon them.

Representative Istvan Pinter was one of those who appeared at headquarters. He told this newspaper yesterday that he had no intention of signing the declaration he received and that curiosity took him to Szoboszlai Street:

"I received a regular invitation because I am not only a representative but also the Csongrad County party chairman and thus also part of the leadership. I wanted to know for what purpose they convened the meeting. Smiles froze on the faces of those present the moment I entered the meeting room; I could not avoid but notice that I was an unexpected guest. I found the composition of the board as rather odd. Besides me, seven representatives came to the meeting, but two of those—Jeno Gerbovits and Sandor Kavassy were members of the board. The same could be said about Bela Nemeth, Mrs. Tamas Simon and Jozsef Torgyan from among those present.

"The one who not too long ago asserted that Gyula Kiss had been a member of the MSZMP [Hungarian Socialist Workers Party] was most vocal. I told Torgyan after the meeting that not even his immediate resignation could remedy the crime he committed against the party. There is no other solution in my view but to persuade Torgyan and a few of his followers to step aside in the interest of the party and not to cause an even greater damage. Yet another party rift must be prevented and I am somewhat hopeful that this can be done. The fact that the faction is hardly able to influence legislative work by now presents an impossible situation, that's what we are talking about all the time.

"The faction becomes a one-armed giant if Torgyan excludes 30 representatives from the party, at the same time, however, that group of representatives would remain without a party. What purpose would that serve?"

At an FKgP [Smallholders Party] parliamentary faction press conference yesterday, [Representatives] Sandor Olah and Miklos Omolnar, who have been expelled from the party, responded to questions concerning the raging war between representatives and the board, and said that according to unconfirmed reports Interior Minister Peter Boross has lifted the state secrecy ban regarding the III/III agent list insofar as Jozsef Torgyan was concerned, i.e., nothing stood in the way of the chairman to prove his integrity and to put an end to the fierce struggle within the party. The declaration distributed on Monday to pledge loyalty to the party board was also discussed—except for those present at the party headquarters, no representatives received copies of the declaration. True, the 30 members of the faction who stood up against the determinations of the party board do not intend to sign the declaration. And since pursuant to the House Rules Chairman Jozsef Torgyan needs only 10 representatives loyal to him to have a parliamentary faction, he most likely does not even need the support of those who have turned against him.

Speaking of possible resolutions to be brought at a faction meeting this afternoon, Sandor Olah stressed that the group of representatives has adopted a tactic of responding and not making initiatives, it will only endeavor to respond to steps taken and attacks launched by the board and the leadership. The deputy faction leader continues to hope for a peaceful resolution of the issues.

### Tokes Sees Transylvanian Unity in Voting Pattern

92BA0164A Budapest ROMANIAI MAGYAR SZO  
in Hungarian 26-27 Oct 91 p 1

[Article by Laszlo Tokes, bishop of the Reformed Church and honorary president of the Democratic Union of Hungarians in Romania: "Lessons To Be Learned From Maps Summarizing the Results of the 20 May 1990 National Elections"]

[Text] The attached maps and statements are based on the officially publicized Romanian nationwide election results—i.e., they must be regarded as fully authentic from the Romanian standpoint. They show the percentage distribution of votes cast in each county for the opposition parties (Democratic Union of Hungarians in Romania, the National Liberal Party, the Christian Democratic National Peasant Party, the Ecology Movement, the Social Democratic Party) in the parliamentary elections (see Map 1) and the nationwide, regional distribution of votes cast for the opposition presidential candidates (Radu Campeanu and Ion Ratiu) (see Map 2).

What do these maps show, what conclusions could we draw from, and what correlations could we establish based on these statements?

(1) The maps present an extremely homogeneous picture of the situation experienced by the ruling party—the National Salvation Front—nationwide. Map 1, and Map 2 in particular, clearly indicate that the voter base of the Front and of President Iliescu is located in the Regat area. Only the Bucharest district with its greater opposition percentage ratio constitutes a noteworthy exception to this rule.

Viewed from the opposition standpoint the difference between the Regat and Transylvania is even more conspicuous. The per county percentage distribution of votes cast for presidential candidates indicates that the Carpathians constitute an even more pronounced political dividing line. The picture emerges even more vividly as a result of the opposition "coloring" of Prahova and Constanta counties next to Bucharest.

This then is the nationwide view of the relative power held by the democratic opposition on the one hand, and the postcommunist ruling party of a monolithic character on the other.

(2) One can see that even within Transylvania the counties inhabited by a clear Romanian majority (e.g. Hunyad [Hunedoara], Krasso-Szoreny [Caras-Severin],

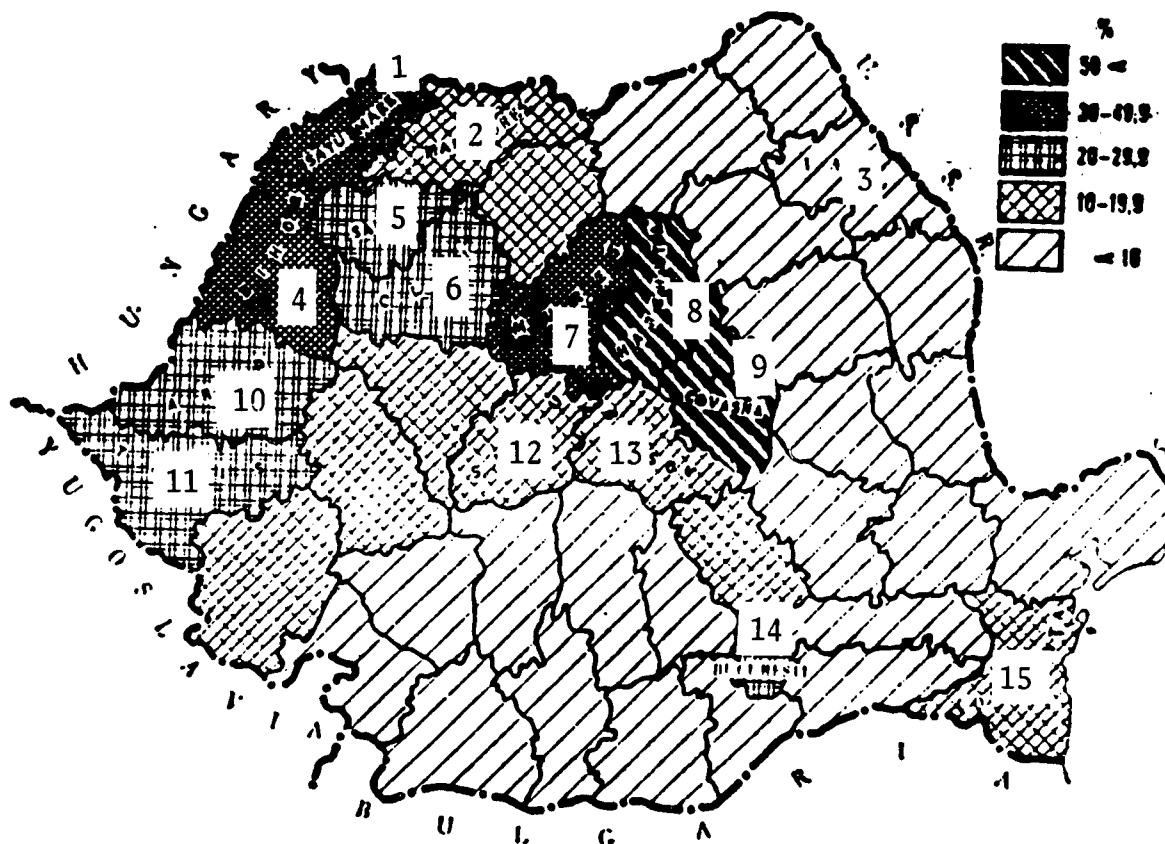
Beszterce-Naszod [Bistrita-Nasaud] counties) are more supportive of the Front than other counties which have significant national minority populations. At the same time it should be underscored that the votes cast by local Romanian nationality voters are also included in the percentages applicable to counties in which a larger percentage of the votes had been cast for the opposition, and that these percentages do not reflect the votes cast by the minorities only—i.e., we are witnessing a common voter preference in individual areas, one that transcends the distribution of the population on the basis of nationalities. This also is underscored by greater proportions of votes cast for the opposition in areas beyond the Carpathians which are not characteristically minority areas (see: Bucharest, Prahova, Constanta).

(3) The maps showing election results serve as spontaneous reminders of the revolutionary events of 1989. In December 1989 actual revolutionary actions and demonstrations against the system suggesting the presence of more massive opposition forces in Temes [Timis], Arad [Arad], and in general, in the Transylvanian counties as well as in Bucharest were more predominant than in other parts of the country where people only followed, or simply took note of the events. This revolutionary background is accurately reflected on the political maps of the 1990 national elections. The ones who voted "differently" after the revolution were those who stood up against the old system in December 1989 and followed a "path that was different" from the one followed by the less mobile, more passive and larger part of the country. In the course of the elections the same people, the same part of the country, the same counties voted for the democratic opposition as the ones that participated in the overthrow of the Ceausescu dictatorship. Consequently, areas in Transylvania and in the Regat which took action against communism on the side and in the colors of the democratic opposition in both the revolutionary uprising and in the subsequent elections manifested the greatest commitment to opposing the dictatorship, and favoring revolutionary changes and democratic transformation. Accordingly, although quietly and with a loss of force, the "revolution" continued in the course of the national elections, and the future chances of the revolution rest mostly in the area of Transylvania and in the vicinity of the capital.

(4) Aware of the above one might say that the Iliescu system is capable of offsetting political power conditions in Transylvania and of forcing its single party political will upon Transylvania only as a result of its sweeping election victory in the Regat, while in Transylvania it was capable of mustering votes barely amounting to 50 percent or less. An analysis of the maps indicates that to a large degree the Front-regime constitutes an oppressive power in the northwestern half of the country, and that moreover it exists as an antidemocratic system opposed to the opposition-democratic forces.

Considering the above, one can easily understand certain abnormal phenomena of our social and political life.

MAP 1



Key:

- |              |             |               |
|--------------|-------------|---------------|
| 1. Satu Mare | 6. Cluj     | 11. Timis     |
| 2. Maramures | 7. Mures    | 12. Sibiu     |
| 3. Iasi      | 8. Harghita | 13. Brasov    |
| 4. Bihor     | 9. Covasna  | 14. Bucharest |
| 5. Salaj     | 10. Arad    | 15. Constanta |

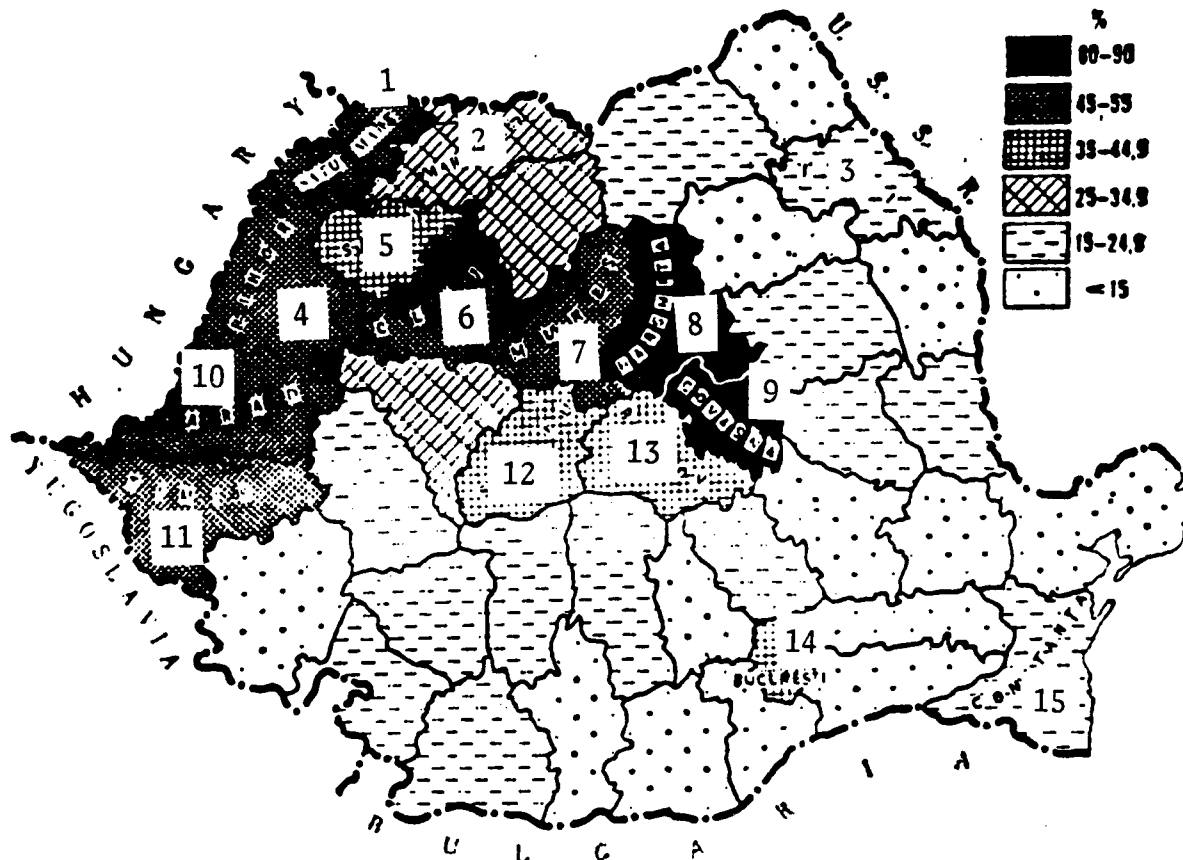
(a) Although the Front espouses the December revolution as its own, in practice it disclaims Temesvar [Timisoara] as the starting point for the changes—suffice it to recall the invectives in parliament on the first anniversary of the Temesvar events; the pure revolutionary character of Temesvar and the political demagoguery pursued by the Front which diverts that revolutionary character are in stark conflict with each other.

(b) The initial sabotage of the municipal elections and the appointment of local leaders by the Front may be traced to similar causes. The Front which stands on weak foundations in Transylvania had been able to ensure its

hegemony in Transylvania only by appointing its own functionaries. We become even more convinced of the correctness of our logic if we consider that a significant number of local leaders in Transylvania have their origins in the Front and the Regat, just as in Ceausescu's times.

(c) With this we have reached the issues of homogenizing, and of so-called separatism. It is clear that the dictatorial, nation state ideology would like to recognize our country's political and social map as "homogeneous" and that therefore it is opposed to any autonomy of a kind that would be entirely natural in western

MAP 2



## Key:

- |              |             |               |
|--------------|-------------|---------------|
| 1. Satu Mare | 6. Cluj     | 11. Timis     |
| 2. Maramures | 7. Mures    | 12. Sibiu     |
| 3. Iasi      | 8. Harghita | 13. Brasov    |
| 4. Bihor     | 9. Covasna  | 14. Bucharest |
| 5. Salaj     | 10. Arad    | 15. Constanta |

democracies. On the other hand, it stigmatizes as "separatist" all independent national endeavors. Not even religious differences fit into this monolithic picture, not to mention differences between nationalities. When viewing the polarity of the election maps it is not difficult to contrast the fully Orthodox population of the Regat with the expressly Greek Catholic population of Transylvania. Within this formula the Front and orthodoxy belong on the same side.

(d) We have every reason to assume that the old and the new powers are equally aware of the social and political

differences that prevail between Transylvania and the Regat, differences which can be defined in geographical terms and seen in the attached maps. This maps constitute an assessment of the situation. Recent events and policies pursued by the Front seem to prove that the power which preserves continuity from Ceausescu on and which is fully aware of the reality indicated by the maps, had itself planned and organized the so-called national diversion in order to preserve its own hegemony, to maintain the dictatorship and to cause the failure of democracy which represents political, social and human liberty. Incitement against minorities and

chauvinism manipulating with the threat of secession by Transylvania are none other than a means to impede the democratic transformation and liberation of Romania. Similarly, extreme nationalism whose hallmark is the Vatra Romaneasca as well as policies pursued by the Front, which—at least covertly—follow the trend established by Ceausescu, are none other than a continuation of Romanian Communist Party [RCP] policies disguised in the cloak of democracy, which is supposed to break down democratic forces and solidarity in Transylvania. This was the purpose of the violent events in Marosvasarhely [Tirgu Mures] that were organized by the Vatra with the effective support of the Front.

We may say with certainty that Transylvania is not being "threatened" by a territorial secession from Romania, but the more, it wants to rid itself from being governed by a totalitarian, dictatorial regime which abridges rights. Accordingly, in essence, we are not dealing with a "territorial dispute." At most, the dispute is "territorial" in character only to the extent that the contrast between western democratic values on the one hand, and eastern totalitarian power present themselves in a territorial and geographic context, as the economic, social, political, nationality (etc.) antithesis of Transylvania and the areas beyond the Carpathians. On the other hand, Transylvania aspires to belong not to one or the other country, but primarily to Europe, and this would actually be in the fundamental interest of the people of all of Romania. This is what most people of Transylvania—a region which has more developed democratic traditions—voted for on 20 May 1989, and this is what the National Salvation Front, the ruling party which continues the dictatorial traditions of the Balkan, wants to prevent and to break down.

(5) With the approaching municipal elections it is of vital importance that we take to heart and learn the lessons taught by last year's national election results as described above. The conclusions drawn with respect to the entire situation that prevails nationwide may benefit the entire Romanian democratic opposition in the upcoming election struggle.

The primary and outstanding lesson to be learned from this unusual examination of the map is that the opposition must join forces consistent with the reality reflected, in the spirit of a modern, progressive Transylvanian movement. The Romanian opposition should rid itself, at last, from the image and fear that has been artificially forced upon and nurtured in the Romanian masses, which holds that anyone who talks about Transylvania threatens Romania's territorial integrity. Members of the Romanian opposition should recognize that, whether they like it or not, Transylvania, a region that is peculiar in many respects, has its own individual past with its own rules, has many religions and nationalities, and occupies a peculiar place on Romania's political map, indeed exists within the unity of the country. The democratic opposition forces of Transylvania will have an opportunity to play a definitive role in the final overthrow of the communist dictatorship and in the

country's democratic transformation as a result of consciously recognizing the Transylvanian opposition character manifested at last year's elections and by exposing the true intentions and manipulations of extreme nationalism which strive to break this character. We need unity to accomplish this, however, unity not only in Transylvania but also with the opposition forces in the Regat. In this spirit, the Romanian masses beyond the Carpathians must also be enlightened of the fact that Transylvania is a specially important part of the country not only as a "territorial unit" but also, and primarily, as a beholder of democratic values. They should not permit themselves to be misled by the eyewash about Transylvanian secession! Romania is able to become truly united only if democracy and freedom forge an organic political unity, and if regional, political and ethnic peculiarities and differences prevail within its territory freely and in pluralism.

#### **Budapest Mayor on First Year in Office**

92CH0119A Budapest NEPSZABADSAG in Hungarian  
31 Oct 91 pp 1, 9

[Interview with Gabor Demszky, mayor of Budapest, by Zuzsa Pato and Akos Toth in Budapest; date not given: "Easier in Parliament: Conversation With Gabor Demszky"]

[Text] [NEPSZABADSAG] As mayor of Budapest, you have pointed out continually for a year that the capital city may become disfunctional. What have you done to halt the process, and has the situation recently improved?

[Demszky] The situation has not yet improved, but the conditions necessary for operation have. It is thus increasingly likely that circumstances in the capital will return to normal. Our budget deficit is huge, however. The signs of this are chiefly evident in mass transit, and it appears that the 50-percent increase in BKV [Hungarian Transportation Enterprise] fares expected early next year cannot arrest the deterioration. The situation is just as bad in other areas. For example, two of our bridges, the Petofi and the Freedom, are in catastrophically poor condition. It is even possible that in a few years some forms of vehicular traffic on the Freedom Bridge will have to be halted. Deterioration is also characteristic of our housing situation, unfortunately.

[NEPSZABADSAG] The condition of the capital has thus deteriorated in one year. Do you feel responsible for this? After all, you were elected to lead Budapest as a man of action.

[Demszky] We did what we could to stop the deterioration. This does not mean, of course, that I'm satisfied with the job I've done during the first year. But I feel the upshot is that Budapest still works.

[NEPSZABADSAG] But most residents of Budapest consider all that insignificant. Some say Budapest is in

its current situation because of party squabbles, and the 2 million residents of the capital are paying the price.

[Demszky] We are not squabbling with anyone. We strive for the best possible cooperation with the government and all ministries. Expo fever is evident, of course, in the maintenance and management of daily affairs. After all, when it appeared that the Expo issue had come to a standstill, things went smoothly. Cooperation was not practiced, however, when we made our most recent decision concerning world exhibitions.

[NEPSZABADSAG] Despite the intent to cooperate, you recently said that residents of the capital must be protected against excessive state power. What did you mean by that, and how do you intend to protect against it?

[Demszky] Powerful institutions, powerful local governments, and security based on law can signify protection against excessive power, by which I mean efforts to centralize authority and institutions—the republican procurator, for example. By the way, the pursuit of excessive power is revealed most vigorously in plans to weaken local governments—for example, by playing off the capital city and the districts against each other.

[NEPSZABADSAG] It seems to have succeeded, because the SZDSZ [Alliance of Free Democrats] mayor of Budapest and most of the likewise Free Democratic mayors in districts have become entangled in bitter debate more than once during the past year.

[Demszky] We have really been at loggerheads because of Expo and the capital city law. Since the beginning of summer, however, our relationship has been distinctly good. The only question is how long it will last. I expect it will soon be revealed that the law pertaining to local government is not unambiguous. For that reason we cannot regard the peaceful state of affairs as permanent, and we must draw up a workable model for cooperation to avert the outbreak of new conflicts.

[NEPSZABADSAG] Speaking of conflicts: you have clashed with citizens of the capital more than once during your one year in office. Your projects—for example, the subway, parking, and streetlight campaigns—did not meet with unqualified success. How do you subsequently assess these projects?

[Demszky] They were really contradictory. I think that people considered the successful campaigns as obvious—the one launched against pornographic materials, for instance. An example of a controversial project involved parking: He who encroaches upon the pedestrians' pathway deserves to have his car towed away.

[NEPSZABADSAG] But those are not the only cars that get towed away! What's more, from time to time light is thrown on various abuses.

[Demszky] Undoubtedly, there have been abuses. But I can't put a judge next to every police officer to rule what sort of obstacle the given car creates and whether it's legal to remove the car. However, despite the abuses—

which, incidentally, are the target of an internal police investigation—it is my opinion that if we had not undertaken this campaign, the downtown parking situation would have deteriorated even more. By the way, because of these very abuses, we plan to have this task performed by a company—perhaps founded in cooperation with the police—that would operate under the control and supervision of City Hall.

[NEPSZABADSAG] Another topic concerning the police: With your consent, the BRFK [Budapest Police Headquarters] tactical squad marched downtown this summer to establish order. But the mop-up did not improve the situation, and at the same time criminal acts multiplied on the outskirts of the city.

[Demszky] Because of the chain of command, I received a lot of criticism from the districts. For this reason, I asked the Budapest chief of police not to order officers from some districts into the downtown area. Despite this, our teamwork can be called good.

[NEPSZABADSAG] Very little of it is evident in the streets of the capital. Soon we'll no longer be able to speak about public safety. The situation on the outskirts of the city is catastrophic after dark, and it is unsafe for people in the downtown subways. Do you feel responsible for this?

[Demszky] Not in the least. The police are not an agency of local government. It is also troublesome that our authority to keep watch over the public domain is restricted. For this very reason we intend to suggest a statutory amendment to grant broader license for surveillance of the public domain or to enable municipal police to function in the future.

[NEPSZABADSAG] Do you expect a disobedience movement to form during the next few months because of the BKV fare increase, the price hike in district heating, the introduction of a trash-pickup fee, or a rise in other levies? All in all, how long can the people put up with it?

[Demszky] According to statistics, many of the well-to-do also refuse to pay the bill. For this very reason we plan to introduce a discriminatory support system that makes it possible for the city to assist those who can no longer bear the burden. For the time being, however, I consider it a noteworthy achievement that the 70 percent price increase in Budapest district heating we saw in the spring will not be repeated in the autumn. This can be perceived as a multibillion-forint social profit that the Enterprise made by allotting from its reserve fund 400 million forints in support. In any case, we do not plan to introduce a new tax that affects the population. However, we must gradually impose the trash-pickup fee on capital city citizens. The same applies to water and sewage fees, and mass transit fares must also be raised. If possible, we would like to avoid measures—even if they are compulsory—that exceed the people's limit of tolerance and thereby lead to acts of disobedience. Even though the latter are impossible to foresee with complete certainty, we still try to avoid them, because such disobedience can lead to catastrophe—and not just from the capital's viewpoint.



[NEPSZABADSAG] The people of Budapest will not applaud what you just mentioned. Indeed, the measures you plan may further erode your popularity.

[Demszky] According to public opinion polls, I am the most popular of politicians who wield executive power. It is easier to be popular as a member of parliament, but the minute you become responsible for an area, your popularity can drop very easily.

[NEPSZABADSAG] Do you feel you have any support and sympathy at all from the people of the capital?

[Demszky] There's no doubt that public opinion is much more divided than it was a year ago. But even now I feel that a lot of people are on my side. I think they know that I could not do more than I've done. It is also true that few people are aware of how little power and authority the mayor commands. It is only a slight exaggeration to say that I fulfill a symbolic post.

[NEPSZABADSAG] Do you regret giving up your seat in parliament for a symbolic office?

[Demszky] I've never regretted anything I've done.

[NEPSZABADSAG] How do you see the future? As the leader of Budapest, what do you fear?

[Demszky] I fear that the government will punish the capital for the Expo decision. That, of course, would be enormously harmful and irresponsible conduct. The government must realize that if it injures us, there will be reverberations throughout the country and everyone will view the injury as a crime.

[NEPSZABADSAG] To what extent are you and the capital influenced by SZDSZ leaders at party headquarters on Merleg Street? Some say they manipulate you from there....

[Demszky] I'm familiar with the accusation. I don't intend to defend myself against it, because it is quite simply untrue. It is absurd to postulate that the capital city's leader is manipulated by a party, if only because the party does not have the machinery to do so. My work is influenced by the opinions of experts, not politicians.

[NEPSZABADSAG] More than once during the past few months the mayor of Budapest has been asked to resign from his post. Have there been moments when you considered satisfying this request?

[Demszky] I don't deny there have been such moments. After the enactment of some laws affecting the capital, I felt as if it were impossible to work. Still, I stayed. I don't regret the decision, but it is a fact that this year has been the most agonizing period of my life. The years can only get easier after this.

### 'Paternalist' Law Undercuts Entrepreneurial Drive

92CH0145A Budapest HETI VILAGGAZDASAG  
in Hungarian 9 Nov 91 pp 86-89

[Article by Andrea Kozma: "Corporation Law; Border Adjustment"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Hungarian corporation law essentially deprives the less prosperous of the opportunity to establish a firm. In an absurd way, it forces the less prosperous to assume a greater risk than the prosperous, according to our attorney author. She believes that the time has come to get rid of paternalist rules that were made part of the law under the pretext of protecting creditors, but that nevertheless impede enterprising.

The last grand act of the Nemeth government, the corporation law that took effect in 1988, remains one of the legal foundation pillars for economic reform to this day. Whereas certain parts of the old business law that also contained rules for the functioning of business organizations had survived for more than 100 years, the foundations of the new business law that, for a few years, has acted as the battering ram must be reviewed after three years, in order to invalidate, at last, some of its discriminatory provisions which make no sense by now.

Persons affected by the law have known for months that, for example, the amount of capital stock required for the establishment of a limited liability corporation would be increased from 1 million forints to 3 million forints and that this would be justified by the galloping inflation of the past few years. Although an amendment to this effect had been dropped in the end according to reports, the following question still remains unanswered: Why is it necessary to tie the establishment of corporations to property qualifications in a market economy which no longer has a "socialist" character?

From among the six types of corporations authorized by the corporation law, only two—the KFT's [limited liability corporations] and the RT's [stock corporations]—limit the members' liability, in the rest (disregarding for now corporate forms which may be established exclusively by artificial persons) the founders, but at the minimum one member of the corporation, carry unlimited liability for the indebtedness of the firm. The legislative intent accompanying the law states that corporations in which liability is limited attest to the seriousness of their intentions to do business and to protect creditors' interests by paying minimum amounts of initial capital or capital stock: 1 million forints in KFT's and 10 million forints in RT's. With respect to KFT's the amount is secured by the total personal property of the members. Collateral in the form of personal property provides rather limited protection in a society in which the acquisition of property had been restricted by law for decades, at the same time, however, provisions requiring the pledge of personal property impede entrepreneurial development. By no coincidence, the establishment of KFT's, considered as relatively expensive as compared to average income, became the

most popular forms of doing business as compared to the much "cheaper" limited partnerships and unlimited partnerships (such as the GMK's [economic work collectives]).

The fundamental strain that carries through rules governing the establishment of corporations in Hungary is a perception according to which a majority of the corporations constitutes an association of persons in which members pledge more or less property. Personal involvement constitutes an absolute, basic requirement in entrepreneurial forms which can be established at low cost—in which the liability of the participants is unlimited, and this condition significantly restricts the operational latitude of the corporation.

Although it is possible to limit liability in KFT's, this carries a no small price tag: 1 million forints in initial capital with a minimum capital deposit of 100,000 forints to be registered, and true, this amount may be contributed by several persons. If several persons establish a KFT it will suffice to deposit 500,000 forints in the bank that manages the KFT's account, but if a person dares to establish a single-person KFT he will have to suffer the discriminatory disadvantage of having to deposit the full amount of initial capital—i.e., a minimum of 1 million forints—at the start, and will be mandated to use the services of a certified public accountant. Registration fees amount to 2 percent of the initial capital and increase up to a maximum of 90,000 forints for increased amounts of capital. The cost of publishing the firm's data in CEGKOZLONY amounts to 10,000 forints for KFT's, i.e., twice as much money as the expense incurred for the same by an unlimited partnership, a limited partnership or a GMK, even though it is obvious that from the standpoint of actual (printing) costs the form of the corporation whose data is published makes no difference at all. Thus the minimum expenditures (exclusive of legal fees) involved in establishing a KFT which operates as a legal entity amount to 1.03 million forints.

Comparing these figures with minimum wages in Hungary which at present amount to 7,000 forints of monthly gross income, one could say that it would take the gross earnings of 12 years and two months of a Hungarian citizen living on minimum wages to establish a firm with limited liability. (These earnings would not suffice, of course, because the countersignature of an attorney is mandatory, and fees and capital stock represent net amounts of money.) If we take this system of establishing corporations and compare it with, let's say, the electoral system and the political democracy, we find that the rules of Hungarian corporation law are in parallel with a feudal electoral system in which voters are rated according to property qualifications. On top, the property qualification criteria are rather high (especially if compared to average salaries that prevailed in the year the law was framed), after all, even official statistics indicate that about 1 million people in Hungary make a living today from amounts that fall short of the existential minimum. Considering living and housing expenses

we may safely say that a significant proportion of Hungary's population is excluded by law from the opportunity to establish a corporation without requiring persons to risk all of their property.

While in certain instances it is rather difficult to raise the 1 million forints to establish a corporation, this amount provides little security to creditors, because nothing and no one prevents the withdrawal of capital stock the day after a bank's certification is presented and even before a firm is registered, the use of such capital by the members of the corporation or the withdrawal of the same from the reach of creditors. This makes sense, of course, because the purpose of establishing a business organization is not to protect, but to operate capital. Accordingly, the law excludes precisely those strata from becoming involved in the economy who would do so at the start of their careers or as unemployed persons. On the other hand, this restriction also creates an unnecessary burden to the budget by having to provide for people who could, perhaps, help themselves.

At the same time, these legal provisions take their toll in a manner contrary to the nature of a market economy and at the moment a firm is established, because they "tax" the assumption of risk rather than income, thus forcing entrepreneurs to follow a constrained path. Many people do not invest more than the required minimum into a starting KFT in order to avoid having to pay superfluous dues. Yet another, totally incomprehensible rule serves only to aggravate this situation: In addition to mandating accessory considerations [as published], this rule also establishes conditions in which a member who performs work "in his capacity as a member" is worse off from the standpoint of social security than a member employed by his own firm. For this reason members most often employ themselves in practice, of course. Fortunately, courts of registry and social security no longer pay attention to this legal absurdity.

If we were to continue the earlier mathematical exercise and project it on stock corporations, we would find that the chances of an ordinary mortal being establishing an RT equals zero. Relatively few people reach the age of 120 to save the minimum of 10 million forints in capital stock required. But even if they were to live that long, they would not have an RT because at present single-person RT's can only be established by the state. This is a bad example, of course, because the essence of RT's is to have many small stockholders, nevertheless it serves as a good example to show the absurdity of linking corporate forms and methods of operating capital to property criteria.

This is so because the fundamental and greatest difference between RT's and the rest of the corporate forms is not the size of the minimum capital, instead, the difference is in the principle of operation and in the basic philosophy of the firm. The stock corporation is the sole

corporate form in the framework of Hungarian corporation law clearly designed to raise capital. It also is the typical corporate form in other legal systems—in which stockholders are merely investors and in which the operation of the capital and the direction of the corporation is the function of a board of directors elected by stockholders, a board of directors in the daily activities of which stockholders are not involved. If present rules tied to property criteria which presently govern corporations remain unchanged or become more difficult—rules in which entrepreneurs have no free choice in deciding the manner and risk they wish to start an enterprise—not even 120 years will suffice for the evolution of an economic climate that fosters a market economy.

**AIDS Spreading; Organizations Address Problem**

91CH0146A Budapest MAGYAR HIRLAP (Health supplement) in Hungarian 29 Oct 91 p III

[Unattributed article: "AIDS Is Spreading"]

[Text] The Hungarian Sexological Society, the National Institute of Health Protection, and the National Pariz Papai Association for Health Education held a professional conference under the title "Sexual Culture as a Method of Preventing AIDS" in Gardony on 4-6 October

1991 with the participation of psychologists, psychiatrists, physicians, health educators, and educators.

The National Institute of Health Protection, which is responsible for prevention, the Hungarian Sexological Society, which rallies the sexual psychologists, and the National Pariz Papai Association for Health Education, which unites health educators, stressed the prevention of HIV infection and the importance of health education.

According to 15 September 1991 data, the number of persons in Hungary who have been infected with HIV is 275, the number with AIDS is 72, and the number of those who have died of AIDS is 37.

The most frequent form of spreading HIV infection in Hungary is sexual transmission. As a result of our sexual customs, homosexuals and prostitutes are most endangered, but heterosexual persons of sexually active age are also endangered by the spread. One objective of the conference was to give information on the dangers of the sexual habits of these groups; its stressed objective was to incorporate into sexual behavior the kind of knowledge that protects against HIV infection. Information and health education is to be used to target primarily young people even before they become sexually active but, of course, the older age groups, which already have developed their sexual habits, are not to be left out either.

### Boom in Polish-Lithuanian Trade-Production Firms

92EP0110B Warsaw RYNKI ZAGRANICZNE in Polish No 139, 19 Nov 91 p 1

[Article by (Wyg): "Mushrooming Polish-Lithuanian Companies"]

[Text] Almost like mushrooms after rain, Polish-Lithuanian manufacturing and commercial companies have recently begun to spring up in the Suwalki region. Recently they were established in, e.g., Augustow, Suwalki, and Goldap. They engage chiefly in the production and sales of building materials, sewing and sales of garments, and trade in cosmetics and farm commodities.

For the time being these are small companies to which each side subscribes generally not more than \$50,000. But what matters is that the first step has been taken. Except that one thing is uncertain: How will continued cooperation be affected by the price increases recently introduced in Lithuania?

These and other doubts will of a certainty be resolved during the economic meetings announced for 7-8 December in Pusk Gmina, which adjoins the Lithuanian border. The information bulletin which is to appear soon now in the Polish, Lithuanian, Russian, and English languages will certainly also prove helpful to Polish and foreign businessmen. It is hard to believe but the main organizer of the event is not some central agency of industry and commerce in Warsaw but a local gmina [township] office.

### 1991 Economic Performance Evaluated

92EP0073D Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 31 Oct-1 Nov 91 p 1

[Article by Antoni Kowalik: "If Things Continue This Way"]

[Text] The results of economic management in the last three quarters enable us to define with a high degree of probability the state of the economy toward the end of this year with all of its negative and positive phenomena. On this basis, taking into account the trends and directions that appeared in the economy in the last two years, the Central Planning Administration [CUP] has prepared a warning prediction for 1992. It shows what can happen next year in the basic sectors of the economy if the particular occurrences and processes are not stopped or accelerated.

The CUP analysis includes the following among the positive phenomena that have occurred in the economy:

- Development of the private sector. In September, production and service operations were carried out by 1.4 million establishments run by private individuals, i.e., 20.3 percent more than in the previous year. In comparison with the same period last year, private

industry production increased 8.4 percent whereas its share in all of industrial production grew to 22.1 percent. The value of private exports was, in comparison with three quarters of last year, three times higher and constituted 13.8 percent of exports as a whole. On the other hand, private imports increased nearly 6.5-fold and constituted 43.3 percent of imports as a whole.

- Lowering of inflation. During the third quarter, retail prices grew 5 percent as opposed to 25.7 percent during the first quarter and 10.6 percent in the second.

- The overall stabilization of the internal market as well as the further growth of the public's zloty savings deposits. The actual savings funds were approximately 60 percent higher in September than in December of last year.

- Moreover, the following were noted: a slight rebuilding of foreign exchange bank reserves, a slowing down of the drop in construction-installation production and a change in its structure as well as an improved ratio between the rate of production and the rate of employment—following three quarters of this year. The 12-percent drop in industrial production was accompanied by a 7-percent decline in employment.

On the other hand, the CUP analysis includes the following among particularly severe threats to the progress of economic processes:

- The increasingly rapid drop in industrial production. After nine months of this year, it was 12 percent lower than last year and 36 percent lower than during the same period of 1989.

- The continuation of a very difficult financial situation within enterprises and its increasingly greater differentiation. Following the first quarter, enterprises should turn over 91 percent of their profits to the budget and after the first six months—98 percent. By the end of August, 1,900 enterprises did not have creditability whereby 27 percent of them lost it already more than five months ago.

- The marked drop in the rate of dollar exports and an increase in imports, particularly for consumer purposes.

- The worsening situation of the state budget.

- The continuing difficult situation in agriculture associated with limited opportunities of selling the agricultural products as well as unfavorable ratios between their prices and consumer goods and services prices and also the severe drop in investment outlays—the current year is the third year in succession that investment demand has declined as a result of overly restrictive fiscal-credit solutions as well as a low level of real

income among the population and a worsening economic situation among households, unemployment growth, and the lack of improvement in housing construction.

The CUP analysis estimates that if the course of economic processes will not undergo various adjustments, then it should be expected that next year these negative phenomena and trends will increase. And so:

- The drop in industrial production will accelerate during the fourth quarter of this year which will result in the lowering of its level for the entire year by 14.5 percent in comparison with last year. On the other hand, in 1992, in the case of an unfavorable progress in privatization as well as limited domestic demand and export possibilities to the USSR, industrial production may drop by 6 percent. The highest growth rate for the two years will be achieved by the food and the wood-paper industries whereas the lowest growth rate will be in the metallurgical and the fuel-power industries.
- The coming year may be the fifth successive year to see regression in housing construction whereas the number of apartments turned over for use may exceed only slightly the level of 33 years ago when, in 1958, 129,000 apartments were turned over for use.
- In 1992, the recession will continue to hinder investment activity. For this reason, despite the expected improved, use of foreign credit and setting in motion of funds derived from the privatization of enterprises and also from activated export operations, investment outlays may assume a 5 percent lower level than in the current year.
- The drop in plant production in agriculture will be considerably greater than this year—by approximately 10 percent. Animal production will be approximately 5 percent lower as a result of which total production in agriculture will decrease by approximately 7.5 percent in comparison with the current year.
- The only sector of the national economy that will see production growth in an overall sense will be communication [lacznosc]. It is estimated that as a result of undertaken investments and modernization, the number of telephone subscribers will increase by 227,000 this year and 350,000 next year.

Furthermore, the warning prediction assumes an unfavorable foreign trade balance next year. This results from the assumption that noninvestment sources that increase exports will be exhausted.

The prediction emphasizes that the rate of inflation next year is difficult to define and will depend, above all, on the extent of the budget deficit. If the restrictive monetary-credit policy continues, the average price increase may come to approximately 47 percent in comparison with the current year. The number of unemployed in 1992 is pessimistically estimated in the projection at 3

million to 3.5 million which means that the unemployment rate will reach from 16 to 18 percent and will be one of the highest in Europe.

#### **Projection for 1992 Budget Reported**

92EP0073C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
31 Oct-1 Nov 91 p 1

[Article by Katarzyna Jedrzejewska: "State Budget for 1992: What Does the State Treasury Have in Store?"]

[Text] The preliminary budget proposals for next year are as follows: revenues higher than 300 trillion zlotys [Z] and expenditures below Z400 trillion. In sum, the budget deficit would not exceed Z50 trillion to Z60 trillion i.e., approximately 3 to 4 percent of the gross national product. If the needs reported by the various sectors were to be taken into account in full, then budget expenditures would have to exceed Z500 trillion. In effect, the deficit would reach Z200 trillion.

The plan of action is as follows: By 15 November, the cabinet must present to the Sejm the proposals for next year's economic policy; by 15 December, tentative budget provisions that will go into effect on 1 January 1992 regardless of whether the Sejm will manage to pass them on time or not. After the Sejm adopts the economic proposals, the cabinet will have two weeks to submit the budget draft plan for 1992.

For what period of time are the temporary budget provisions set? Minister Wojciech Misiag leans toward the concept that a three-month provisional budget be submitted formally but with a stipulation that will allow for the automatic extension of this period. For example, if the president does not sign the new budget by 31 March, then the limit for April will be one-third of the provisional budget. Thus, it turns out that the concept is not simple technically. The first quarter has certain one-time payments, e.g., thirteens [Polish: trzynastki] and the valorization of salaries in the budget sector.

The provisional budget like the entire budget must be based on certain premises. For the time being, predictions are being made without giving figures. The Ministry of Finance predicts that inflation will not be higher than this year.

Thus, the kind of revenues that may be expected depends on the source from which they are to come. An increase in income from enterprises is not expected if only for the reason that starting next year along with the introduction of personal income tax, the old tax base will be eliminated. Among other things, there will be no tax on wages which as we know enterprises pay currently in the standard amount of 20 percent of the sum total of all emoluments. On the other hand, the tax on wages will become the individual income tax. If to this we add a tax beginning with the new year on pensions and annuities as well as emoluments in the budget sector (individual

income tax), then it appears that revenues from individual income tax are growing.

An increase in revenues from income tax should not be expected. Turnover tax will probably increase somewhat. First of all, as a result of higher tariffs and secondly, because the deadline for introducing the value-added tax [VAT] is being delayed. In this situation, the concept has emerged of expanding the scope of collecting turnover tax during the transition period between the current turnover tax and the future VAT. Currently, it [turnover tax] is distributed very unevenly, which means that enormous areas of management are not affected by this tax.

Budget revenues from tariffs will increase. This is the result of the transition to a floating dollar rate, owing to which the zloty value of imports is growing. For the time being, the lowering of tariff rates is rather unlikely.

Income growth from privatization is predicted whereby this year's actual revenues (Z3 trillion) from this source should be accepted as the comparison index and not the revenues projected in the budget act (Z15 trillion). Although, in Misiag's opinion, among others, the issue is debatable whether the projection of Z15 trillion in revenues from privatization this year was unrealistic.

Let us pass on to expenditures. The first significant one will take place as early as January and is associated with the "grossing" of wages and pensions as well as annuities, i.e., raising them by the amount of income tax to be collected later. Admittedly, this is a matter of one month (the treasury will collect this money later). However, credit will be needed for this period. If at all possible, this ought to be nonbank credit (although, most likely this is unavoidable). Thus, thought is being given to expanding the issuing of treasury securities and to the introduction within a year—since this cannot be accomplished by January—of treasury notes.

"Expenditures for the restructuring of the economy"—this is such a broad concept that in reality it does not mean much. It was a mistake to allocate just such a pool last year. As a result, more than half of the projected Z3 trillion was not allocated until December and this was for the payment of bills of economic units that had just been created. Money for restructuring represents funds for some specific purpose: investments, privatization, support of the banking system or for direct credit subsidies. And this is how this money will be distributed next year. As far as we know, new capital investments in the budget sphere will not be initiated.

There are certain expenditures which undoubtedly will increase. This pertains particularly to expenditures for social services—the new pension act is no doubt more expensive than the previous one. The financial burden will increase as a result of debts. On the one hand, this applies to foreign debt resulting from the taking on of the full servicing of restructuring liabilities and on the other, internal debt—the state budget is entering the new year with an approximately Z20 trillion debt.

In addition to this, there is the issue of taking care of the internal foreign exchange debt as well as outstanding payments for this year (above all, those associated with housing credit).

Alongside these unyielding expenditures are those that ought to be reduced. In the opinion of, among others, Misiag, all areas of the budget have unessential expenditures and unessential agencies (e.g., non-self-reliant units of the transportation sector and economic-administrative units that duplicate each other). Consequently, a reduction in employment and actual expenditures in the budget sector is envisaged.

### Transformation Pace of Nationalized Industry Slow

92EP0073E Warsaw ZYCIE WARSZAWY in Polish  
8 Nov 91 p 2

[Article by (dan): "Slow and Ineffective Transformation of Industry"]

[Text] The process of closing down state enterprises that are in poor financial condition is too slow and ineffective. Such information was conveyed yesterday at a press conference by Jacek Krawczyk, secretary of state at the Ministry of Industry and Trade. From January 1988 to October 1991, 54 establishments have been placed in a state of liquidation. However, to date, this process has been entirely completed with regard to only four.

Privatization is also sluggish: Of 57 privatized enterprises, only 20 have been completely converted. It should also be added that during this period, another 14 establishments were to be shut down on the basis of the extraordinary powers of the Council of Ministers, thus, for example, for ecological reasons.

Currently, activity aimed at transforming large enterprises such as Ursus, Huta Warszawa, and Huta Szkla in Sandomierz is under way. Negotiations are being conducted on the subject of the future of Jelcz, a plant that manufactures Tarpan vehicles, and the FSO [passenger vehicle factory]. It should be added that the Ministry of Ownership Transformation and the Ministry of Finance participate in these processes. The accumulation of powers frequently constitutes a serious impediment in the quick implementation of transformation.

Therefore, how can these changes in state industry be accelerated and improved? Secretary of State Jacek Krawczyk spoke about, among other things, a different role and tasks for the Industry Development Agency as well as about creating an institution that would oversee the management of property of shut-down enterprises. The price assessment of this property should also be simplified. These constitute strong restraints.

Meanwhile, quicker action is all the more necessary that as many as 317 new notices from enterprises have already come in to the ministry about their poor financial state. Let us add that in the ministry itself a

restructuring department has been created and, among other things, steps have also been taken aimed at initiating training for voivodship representatives so that they could come to the aid of enterprises on site.

In the opinion of the Ministry of Industry and Trade, the shutting down of inefficient enterprises is beneficial not only to the national economy but also to employees. The property and assets of said enterprises frequently constitute a base for the creation of new, more economically efficient ones that ensure a place to work and better wages.

### Ministry Considers 'Restructural' Privatization

92EP0076A *Opole TRYBUNA OPOLSKA in Polish*  
28 Oct 91 p 3

[Article by Marek Burczyk]

[Text] Life cannot be arranged into a smooth pattern. At the same time, the economic and social aspects of the dismantled command-allocation system offer unexpectedly strong resistance. Many earlier assumptions had to be adapted to reality with regard to this, and they turned out to belong to the realm of religious beliefs. Thus, the road to totally curbing inflation gets longer. The recession turned out to be more extensive and deeper than the most pessimistic scenarios.

As the bitter experience of many months of privatization efforts shows, the greatest obstacles are the passive attitudes of the managers of many enterprises, shaped by years of operating under central command economy conditions. That indifference regarding the changing surroundings not only seriously delayed the privatization processes but it is also outright dangerous to the very existence of numerous factories which are heading toward failure.

Time will tell how successful the so-called restructural privatization, a remedial measure recently developed by the Ministry of Privatization, will be for this disease. It denotes organizational, economic, and technical adjustment of enterprises to new market conditions, in order to increase the effectiveness of their work, with the result being profitable sales. In accordance with the principle: First, take care of the problem, and only then can the sale take place for a suitably higher price. On this new path, we expect to successfully utilize the knowledge, experience, and investments of both domestic and foreign management groups.

The state treasury-owned firms, which are already under the management of the Ministry of Privatization [MPW], are being prepared for sale. These firms will be the primary subjects of restructural privatization. In addition, enterprises needing restructuring and sale include those state enterprises which are controlled by their founding organs. In the latter case, they will also be transformed into state treasury-owned corporations during the negotiation of the business and management contract.

This type of privatization will be coordinated by the newly established MPW restructuring committee. In the individual enterprises, the ministry representatives responsible for the progress will be the founding organs of the corporations, which will be responsible for concluding business and management contracts with the "management groups." This latter concept denotes groups participating in the bidding contract for the best business or restructuring plan. The group may include Polish and foreign individuals and corporations as well as banks, consulting firms, partnerships, former management of restructured firms, and other enterprises.

Initially, the chief task for the management groups will be to develop a restructuring and business plan for the enterprises. Subsequent to the selection of a winning bid, they will conclude the above-mentioned contracts with the board of directors. The novelty here being the registration which will make the payment of commissions dependent upon the difference between the price negotiated by the contracting party prior to signing the contract, and the sale price of the enterprise obtained through bidding following its restructuring. The larger the difference, the larger in absolute terms will be the 30-percent commission on it. A similar commission of only 10 percent will be awarded to the board of directors. Both the first and second case should serve as a rather significant identification with the enterprise, and with its interests by persons responsible for the efficient carrying out of all changes which would get the enterprise back on its feet. It is clear that a management group which won the bid may be unable to carry out the necessary restructuring and, consequently, the final asking price will be lower than the initial one. In order to limit the risk associated with such development of events, the management group is obligated to put a deposit of five percent of the initial price into the corporation's account. If the final price is lower than the initial one, the deposit is forfeited. In the remaining cases it is returned to the management group in the form of stock in the enterprise being sold.

The basic task for the management group is, as has already been said, implementation of restructuring changes. This should be done on several levels. On the "product level" for example, this will concern decisions on discontinuing production of a variety of goods which constitute a loss. On the "market level" this will involve an evaluation of the profitability of particular goods for specific markets or customers. On the "financial level," the analysis of the debt situation. The relationship between the enterprise's debts and liabilities, cash receipts, and profitability [as published]. The "development level," in turn, is associated with investments for capital expansion for new segments of the market and new types of products. While previous restructuring levels frequently meant enterprise downsizing, developmental restructuring involves growth: the purchase of new firms, entering new markets, and manufacture of new products. Thus, this type of activity can be undertaken only after positive results have been obtained in

other types of restructuring, and also on condition that adequate capital investments, both domestic and foreign, be made available for new investments.

The completion of restructuring tasks outlined in the plan denotes the end of the management group's contract and the sale of the firm, whether it be through issuance of stock or, through an open or closed bid. The sale is taken care of by the MPW Restructuring Committee dealers' group. It will choose the best offer and will also take care of the legal aspects of the sale.

The authors of the idea presented their plan to accomplish the entire restructural privatization process in eight stages by mid-1995. It will specifically include, on a purely voluntary basis, of course, a group of approximately several hundred enterprises.

### Number of Cattle Decreases in 1990-91 Period

92EP0073B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 31 Oct-1 Nov 91 p II

[Article by Edmund Szot: "A Cow Only at the Gucwinski's?"]

[Text] During the period from September 1990 to September 1991, the number of cattle in Poland decreased by 11.8 percent. If in the coming years it decreases by the same amount, then in eight years, i.e., before the year 2000, it will be possible to see a cow only in the Mr. and Mrs. Gucwinski program. In some voivodships, this situation could occur even sooner, i.e., in four or five years! In Gorzow Voivodship, the number of cattle has decreased by 23.2 percent during one year; in Koszalin Voivodship—by 22.7 percent and in Slupsk Voivodship—by 20.7 percent.

At the end of the third quarter of this year, the number of cattle in Poland was estimated at approximately 8,373,000 head. We emphasize that during the mid-1970's, there were over 13 million head of cattle in our country whereas it cannot really be said that there was some sort of extraordinary "calving" during that period in Poland. Most likely, this was even an optimum number for these types of animals under our conditions and with our fodder capabilities.

"A falling trend has maintained itself for many years in cattle breeding," states Leonard Stanczuk, director of the bureau of the National Association of Cattle Breeders and Producers. In a matter of 10 years, the number of cows has decreased by 1.2 million head. Some claim that the drop in the number of cows will stop when their number decreases to 3 million head (there are 4,460,000).

The situation is made worse by the fact that in Poland the drop in the number of cows has been accompanied for two years by a drop in their milk output. The result is that in some regions of the country, milk and dairy product deliveries no longer meet the current market needs. The issue of the decline in the number of cattle has already matured to a decided intervention.

What can be done at present? "The kind of mechanism has to be created whereby those who have more cows and achieve a greater output should find milk production more profitable than those who have one cow and have it graze in the wayside ditch," advises director Stanczuk. "Currently, the opposite is true. This results from the fact that the latter producer has practically no outlays. He does not need a milking machine, a cooling container and is not interested in the purity of milk. That is why, currently, first of all specialized farms are going under."

The association president, Wlodzimierz Neneman, from Welnica near Gniezno, is limiting his breeding farm. Until recently, he raised approximately 100 head of cattle; Krzysztof Banach from Lomza Voivodship is getting rid of his remarkable cows, which give 8,000 liters of milk annually; Julian Raczynski's son is not following in his father's footsteps as a cattle breeder—he prefers to run a sawmill. There are more such examples to be given.

Naturally, price ratios lie at the bottom of these disturbing phenomena. The Polish farmer receives 10 cents on an average per liter of milk whereas an American farmer receives 20 cents and a French farmer—three francs (approximately 3,500 zlotys). An American farmer receives 90 cents per kilogram of slaughter hogs in purchasing centers and \$1.65 per kilogram of slaughter cattle. Similar price ratios exist in Western Europe. In our country, these ratios are just the opposite. Naturally, slaughter cattle in those countries is somewhat different than in Poland. "In our country, there simply are no purely meat-producing breeds and beef is produced incidentally, as it were. And yet, we are aiming for Europe where the separation into milk and meat producing cattle is already a fact. And it is most likely certain that we will not impose our style of raising general use cattle on the EEC."

"What also concerns us is that for a long period of time there has been no demand for heifers," worries Bozena Komosa, the bureau's assistant director. "Only now, the first signs of interest in breeding farm animals have appeared. However, demand for them continues to be negligible. One of the breeding bulls had the chance to display his prowess only twice this year since he was outdistanced in his courtship by most likely cheaper, so-called wild studs."

The situation is not good. It is being proposed to the association's advisory service that it earn its wages by rendering advice. However, what advice can be given to someone who has tried out in practice and come to the conclusion that cattle breeding is not good business and that he is converting the cowbarn into a warehouse? The market environment has turned out to be exceptionally hostile for cattle. Therefore, financial credit within the framework of agricultural development is urgently



needed because agriculture, dependent on market mechanisms, turns out to be very helpless.

### Fall in Fertilizer Production Continues

92EP0110C Warsaw RYNKI ZAGRANICZNE  
in Polish No 128, 24 Oct 91 p 3

[Article by Jerzy Turonek: "A Difficult Situation in Poland"]

[Text] After peaking at 2,725,000 metric tons in 1989, the output of artificial fertilizers in Poland plummeted to 1,854,000 tons the following year—a decline of 32 percent. During that period the output of nitrogenous fertilizers shrank by 21 percent to 1,302,000 metric tons; and that of phosphoric fertilizers, by 51 percent to 467,000 tons. The imports of potassic fertilizers, for which there is practically no domestic source, declined nearly in half to 512,000 metric tons.

This situation was due to the slowdown in sales on the domestic market owing to the soaring cost of all kinds of artificial fertilizers. In view of this, Polish producers tried to offset the shrunken capacity of the domestic market by expanding their sales abroad. In 1990 exports of nitrogenous fertilizers increased by a factor of 4.2 to 512,000 metric tons, and of phosphoric fertilizers more than fivefold to 42,000 tons. This alleviated the problems at fertilizer plants by preventing an even more drastic decline in output.

The present year has brought with it a significant improvement only in the nitrogenous fertilizers industry. Given some increase in domestic consumption during the January-August period, the exports of these fertilizers declined by 17 percent (to 237,000 tons) compared with a like period last year but their output remained on the same level as a year ago, 852,000 metric tons.

On the other hand, the situation of the phosphoric fertilizers industry has not been as good. During the first eight months of this year their output declined by 32 percent to 186,000 metric tons, and their exports fell by 26 percent to 16,700 tons.

The imports of potassic fertilizers from the USSR dropped with exceptional abruptness: During the January-August period of this year, they amounted to barely 69,000 metric tons, i.e., nearly one-fifth as much as a year ago. However, the barter agreement recently concluded with that country makes hopeful a normalization of import shipments of these fertilizers.

### Lack of Vision in Social Policy Voiced

92EP0073A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 31 Oct-1 Nov 91 p II

[Article by Antoni Kowalik: "Statistics and Care—That Is Not Enough"]

[Text] Social policy does not exist in Poland. It has been reduced to government social activity: pensions, retirement annuities, social benefits, etc., therefore, to a few of the elements that should be a part of the system. We have no concept or philosophy of this policy that would correspond to the model of a market economy which we intend to build now and in the future. Formulated in the most general terms, such may be the conclusion derived from the discussion held on 30 October on the subject of social policy during a seminar organized at the Institute of the National Economy.

The scope of social policy, changes that have taken place in it both in our country and in the world as well as directions of desired changes were also discussed at the seminar. "Social policy should be viewed as considerably broader activity than that indicated by the policy thus far," stated Prof. Adam Kurzynowski from the Warsaw Main School of Commerce in his introductory paper. "It ought to shape working and living conditions—the state should not and cannot evade this task—as well as desired social structures which means that the concept of this policy should answer the questions: What will society be like in the future; how will it be organized?"

A subsequent task is the shaping of sociocultural relations, i.e., a new social order and the guaranteeing of social justice, thus, creating conditions for such a level of satisfying needs as is realistically possible. Of course, all of this depends on the state of the economy. For this reason, in recent years even highly industrialized countries are departing from an excess of implemented social goals. A reversal in the direction of local structures has taken place in this policy and in the direction of the family which should also assume some of the state responsibilities as, for example, care of the ill. The state should rather be a planner and coordinator of various services. Furthermore, a government that shirks off economic functions also loses revenues. This leads to the weakening of social policy—basic population groups shape their lives owing to their own initiatives. This process is occurring in our country as well in connection with the creation of a market economy.

Numerous changes in social policy have taken place in Poland in the last two years including many negative ones, particularly unemployment which requires more effective state intervention. Currently, this problem is perceived in rather statistical terms whereas it requires detailed environmental analysis and the undertaking of decisive action limiting this phenomenon.

Another problem with which social policy should concern itself is the growing destruction of the social infrastructure, e.g., kindergartens that no one wants. There is a lack of vision of a system of education that should exist under the new government and economic conditions. The same applies to health protection and housing policy. Finally, the insurance system requires reform.

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